

**Financialization and Development Regime Building in Waterfront  
Redevelopment in Chinese Port Cities under Neoliberalism: A Case Study of  
Qingdao Olympic Sailing Centre**

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### **Abstract:**

Post-industrial waterfront redevelopment refers to the transformation from the Keynesian-Fordist industrial landscape to the post-industrial service-based waterfront (Vormann, 2014). Neoliberal financial devolution has empowered local development coalitions to tap into local financial resources by leveraging private investment. Coalitions made up of city hall and private sector actors may be considered as urban development regimes that can utilize their institutional resources to make potent governing decisions (Stone, 1989).

This research focuses on the financing of waterfront redevelopment projects in Chinese port cities under neoliberalism. The study examines Qingdao Olympic Sailing Centre as an example of how such urban development coalitions function to promote waterfront redevelopment projects, and by extension, to understand how post-industrial waterfront redevelopment is pursued in Chinese port cities. In addition to the Sailing Centre, the relocation of Beihai Shipyard exemplifies how post-industrial waterfront redevelopment, in conjunction with the effect of gentrification, shapes the neoliberal urban landscape. The financing story of the Qingdao Olympic Sailing Centre is explored as a case study of entrepreneurial urban redevelopment strategy, and this study uncovers the process to present how an urban development coalition extracts land value from entrepreneurial strategies amid the trend of neoliberalism.

How the Chinese urban growth coalitions, made up of the local city halls and private developers, conduct city redevelopment projects in an entrepreneurial way via mobilizing market elements and land resources to avoid the conventional budget public financing has been missing in past literature. Hence, the discussion about the financing of the waterfront redevelopment projects in the second-tier Chinese port cities contributes to filling the literature gap of how the second-tier Chinese cities conduct great-mega projects through off-budget financial instruments.

**Keywords:** Post-industrial waterfront redevelopment, neoliberalism, urban regime theory, growth machine theory, financing, case studies, Chinese port cities

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## List of Acronyms

GVGC	Greater Vancouver Gateway Council
KWNS	Keynesian Welfare National State
SWPR	Schumpeterian Workfare Postnational Regime
UDAG	Urban Development Action Grant
CDBG	Community Development Block Grant
TIF	Tax Incremental Financing
NUP	New Urban Politics
CSR	China South Railway
CSIC	China Shipbuilding Industry Corporation
GIC	Global Intelligence Corps
PPP	Public and Private Partnership

## **1. Introduction**

### **1.1 The Introduction of the Study**

If you asked a Canadian to name 10 Chinese cities for 10 dollars, I would bet that 99 percent of all Canadians would not be able to get the 10 dollars. And, likely, they probably only know fewer than five Chinese cities. This is not to say that Canadians are bad at geography, but that the world is changing fast.

By 2017, China had more than 100 cities with a population of more than one million, including 13 cities with a population of more than 10 million. Today, many cities in China are unknown in the West but have sizeable economies and populations. If you visit these cities, you are likely to be amazed by their skylines.

Apart from the famous municipalities such as Beijing and Shanghai that are directly under the control of central government, these big cities are generally divided into two categories: inland provincial capitals, and coastal cities that enjoy some aspects of the policies regarding special economic zones.

The Chinese port cities are generally different from the inland provincial capitals known for being an aggregation of resources and population. For example, the inland provincial capitals are the centres of educational resources (most universities in a province are concentrated in the provincial capitals) and medical resources (the best hospitals in a province are generally concentrated in the provincial capitals). The inland provincial capitals are perceived by the general public to be the favoured beneficiaries of policies; sometimes this is criticized as an after-effect of the planned economy via favouritism and patronage. In contrast, China's coastal cities are

characterized by a developed market economy. They thrive because of their access to sea and maritime trade, and they have the characteristics of an export-oriented economy.

China's coastal cities have played an important and irreplaceable role in economic development in the past 40 years since China's reform and opening up. They are the leading geese (an economic geography metaphor to describe how Japan led the development of the newly industrialized countries (Hayter & Edgington, 2003)) of China's economy and have very distinct characteristics of neoliberalism.

Nevertheless, the underpinning political forces and theoretical foundation propelling Chinese port cities' development have not been systematically analyzed and summarized by scholars, nor has the role of the redevelopment coalitions—the main stakeholders of carrying out development schemes in Chinese port cities—been researched. The waterfront redevelopment coalitions driving change in Chinese port cities have distinctive Chinese characteristics. Therefore, it is necessary to undertake an empirical study of the driving force behind redevelopment of these real estate flagship projects, with appropriately and critically applied theories of western sociology and urban geography to illuminate the processes of Chinese port city redevelopment. The aim of this dissertation is to help readers to compare the development mode of waterfront redevelopment projects in China's coastal cities with similar projects in western cities.

This project concentrates on Qingdao as an example of the post-industrial redevelopment processes operating in Chinese coastal cities. And the Olympic Sailing

Centre of Qingdao serves as an excellent example of how industrial relocation is related to the service sector's post-industrial redevelopment. That is why I am using it as a case study to investigate the financing and development regime building in waterfront redevelopment in Chinese port cities under neoliberalism.

What I would like to introduce to the readers is the current form of the port city of Qingdao by analyzing the evolution of the neoliberal urban redevelopment regime and its history of property-led economic development in the city. Moreover, I make a comparison between the commercial centre in Qingdao's old town, the Zhongshan Road Commercial Street, and the emerging Central Business District (CBD), Qingdao Olympic Sailing Centre Business Circle. This comparison aims to illuminate the evolution and the composition of the development regime/governing coalition of the Qingdao Olympic Sailing Centre. Second, by analyzing the development of the Qingdao Olympic Sailing Centre, I evaluate how various financial instruments were developed and have evolved amid the financing of the Olympic Sailing Centre project. In addition to that, I examine how the governing coalition is formed and how the Qingdao municipal government cuts deals with private developers to facilitate financing of the project. This information is important because it unveils how private finance is solicited by state actors to participate in the financing of waterfront redevelopment projects in Chinese port cities, all within a neoliberal context.

Moreover, a preliminary background introduction of where the redevelopment story takes place: Qingdao: During the past thirty-five years, Qingdao has been going through rapid local economic growth, the change of urban built environment, and the

shift of urban spatial structure. This, almost like a city's rebirth story, is undergirded by endogenous and exogenous factors.

First of all, the intrinsic causes can be attributed to the intrinsic characteristics of the city, which is chiefly the city's neoliberal traits and the entrepreneurial spirits that the city's residents inherited from the history of the city and its hinterland region. Namely, the industrial history of Qingdao starts with the colonial heritage. Qingdao's current industrial pattern is featured by the industrial foundation built by the German pioneer settlers. Moreover, the Japanese entrepreneurs kept expanding the textile manufacturing industries based on the German foundation. During the post-1949 communist revolution era, under the guidance of import-substitution policy, the central government developed heavy industries in Qingdao. And after the 1979 neoliberal open policy, new economic and industrial formats emerged in Qingdao. Many appliance manufacturing enterprises, including Haier and Hisense, ushered the trend of foreign trade economy under the export-oriented development strategies. Moreover, some high-end equipment manufacturing industries have also developed rapidly. The detailed introduction and evaluation of the neoliberal uniqueness of the city will be unfolded in Chapter four.

Secondly, the external factors also contribute to the neoliberal shift and change of the city's built environment/spatial structure. In brief, the national neoliberal reform entails the introduction of a tax-sharing system and a land-leasing system. The newly introduced tax-sharing system allows the municipal governments to retain most of their land-based revenues; therefore, they are motivated to propel property-led

economic development and expect to extract value from that. The new land leasing system established by the neoliberal reform stipulates that land use rights could be traded in the market. Hence, also due to the strong domestic demand and the boom of the private housing market, these exogenous factors have also paved the way for the emergence of projects such as Olympic Sailing center redevelopment in second-tier cities in China. Last but not least, the detailed implications of the effects of these exogenous factors in the second-tier Chinese cities will be introduced in the following chapters (Chapter 5).

## **1.2 Study Goals**

By studying the development process of Qingdao Olympic Sailing Centre, the study goals aim to generalize the regime building of waterfront redevelopment projects in Chinese port cities, to understand the outcomes and efficiency of the Chinese urban growth coalitions, and to unveil the financial instruments that underpin the financing of such redevelopment projects. Also, I have analyzed the general rules of the development coalition building of waterfront revitalization projects in Chinese port cities from the following perspectives. I explicitly examine the regulatory boundaries of government in the regime (the roles of government). Moreover, I explain how the neoliberal roll-back destructs the Keynesian-Fordism regulatory landscape and how civic cooperation results in the transfer of government's function. How does the localization of regulatory power happen? And how do institutional innovations and neoliberal roll-out creations lead to the transformation of the regime so that the private sector becomes the principal part of the regime and plays a leading

role, while the government plays an auxiliary role, like its counterpart in the U.S.? It is essential to understand how the public and private partnerships function in waterfront redevelopment projects in Chinese port cities, because it reflects neoliberal entrepreneurial urban governance.

Another goal of the study is to examine how the waterfront redevelopment projects are financed and what entrepreneurial urban redevelopment strategies are used to extract value from the redevelopment projects. Furthermore, the study has been designed to elucidate how the unfolding of the regime and the financing stories of the waterfront redevelopment projects reflect the rationales of neoliberalism.

Therefore, my work will contribute to the current literature about how urban redevelopment projects (especially the waterfront flagship projects) in the second-tier Chinese port cities reflect the formation of the growth coalition of the actually existing neoliberalism there. Moreover, the discussion about the financing of the waterfront redevelopment projects in the second-tier Chinese port cities really contributes to filling the literature gap of how the second-tier (or even including the first-tier Chinese cities) Chinese cities conduct great-mega projects (in this case, Qingdao Olympic Sailing Centre) through off-budget financial instruments. How these Chinese urban growth coalitions, made up of the local city halls and private developers, conduct city redevelopment projects in an entrepreneurial way via mobilizing market elements and land resources to avoid the conventional budget public financing (government allocation) has been missing in past literature.

Therefore, I intend to help to fill in the gap and analyze what has been missing by other scholars through evaluating the off-budget financial instruments (the market mobilization of land resources and the concrete off-budget strategies) tapped by the entrepreneurial urban governing coalition in the second Chinese port city---Qingdao, to emphasize the emerging Chinese entrepreneurial neoliberalism that is rising against the context of the unique Qingdao local situation and the national socialist background.

### **1.3 Core Research Questions**

In general, there are three core research questions to be answered in this dissertation. First, I look at whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from a Keynesian-Fordism industrial waterfront to the post-industrial service-based city. Second, the study specifies how the development coalitions function to facilitate the waterfront redevelopment initiatives in Chinese port cities. Additionally, this study illustrates how the development coalitions are formed. The third core research question is relevant to the financing of the projects. It is essential to aware of the concrete off-budget financial instruments and market ways of mobilizing land resources in the financing of waterfront redevelopment projects in Chinese port cities.

And lastly, the conclusions of the study show my reflections about what I have learned from the waterfront redevelopment projects in the Chinese port cities under the neoliberal context.



#### **1.4 Brief Review of Each Chapter**

The second chapter of the dissertation is the literature review on post-industrial waterfront redevelopment, neoliberalism, urban regime theory/growth machine theory, and the financing of urban redevelopment projects. In the third chapter, I examine the case study as part of the research design, and the constructivist grounded theory methodologies that are used in the thesis. The chapter later informs readers why I chose interviews as the strategy for data collection.

The fourth chapter unravels my goals; it tells the readers why Qingdao is an excellent example of a neoliberal city. I explain the two case studies: the Olympic Sailing Centre project and the Zhongshan Road Commercial Street, and why they are suitable for my study's goals. I first introduce an overview of Qingdao to discuss why the case is a unique example of the neoliberal city. I start from the basic facts of Qingdao by comparing its geographical location and history of development. Then I focus on evaluating Qingdao's industrial and economic situation before turning to an explanation of the city's neoliberal experiences. Moreover, I elucidate Qingdao's economic structure and the main pillar industries of the city nowadays. Furthermore, the coming paragraphs are about Qingdao's built environment and the German colonial impact on the city's landscape. It should be noted that, compared with other colonial coastal cities in China, only in a city like Qingdao, where a unitary German presence once dominated and where communities were segregated by functions and ethnicity, can urban design fully reach its ideal form. The German legacy has laid the foundation for the urban pattern of old town areas in Qingdao, and more than a

century ago the Zhongshan Road was booming due to this master plan. The only German impact meant that German colonists could plan and manage the Qingdao area uniformly, unlike in Shanghai, where different colonists only managed a part of the city, resulting in differences in the city's functions.

Moreover, the industrial history of Qingdao also has the colonial heritage. Qingdao's industrial foundation is built by the German industrialists in the early 20<sup>th</sup> century. Afterwards, the Japanese businessmen expanded Qingdao's textile manufacturing industries based on the German foundation. After the Chinese communists came to power since 1949, under the guidance of import-substitution policy, the communist regime developed heavy industries in Qingdao.

After that, I highlight the burgeoning economic growth of Qingdao since Deng Xiaoping's neoliberal reform. It is because of development after the reform and opening up that Qingdao has established its position on China's economic map. The later chapters examine the development of entrepreneurship in Qingdao and emphasize the real estate industry's importance in the city. I also illustrate the influence of administrative division on public and private partnership and property-led economic development. The post-1978 Chinese reform has seen the transfer of power and resources to the regional administrative authorities. Due to this neoliberal rescaling of state, the Qingdao local government has relatively strong decision-making power and more responsibility by absorbing the devolved central government fiscal and administrative powers. In addition to that, the land and housing reforms have been the catalysts for neoliberal property-led redevelopment in Qingdao.

Then, I introduce the two case studies: Qingdao Olympic Sailing Centre and the declining Zhongshan Road Commercial Street. By studying the physical transformation of Qingdao Olympic Sailing Centre and comparing its business circle to Zhongshan Road Commercial Street, this study evaluates why some waterfront redevelopment projects succeed and others fail.

The fifth chapter presents results of the interviews on Beihai Shipyard, Olympic Sailing Centre, Zhongshan Road Commercial Street, and the Evolution of the Growth Coalition of Olympic Sailing Centre. From my interviews, I was able to determine that the development in Olympic Sailing Centre reflects the roll-back destruction of Keynesianism and the roll-out neoliberalism of institutional creation. Analyzing the interview data also allowed me to determine that these cases reflect the neoliberal entrepreneurial urban governance and the specific financial instruments used to finance the Olympic Sailing Centre project. Moreover, my interviewees' answers helped me to understand the financing details of the Olympic Sailing Centre project and how the market mobilization of the seven pieces of land helped to recover the investment. Based on what one interviewee told me, I analyze how the market is empowered by optimizing/improving the functions of new government institutions. The interviews also helped me to analyze the fiscal/administrative decentralization explicitly. Through the interviews, I learned of the difficulties involved in revitalizing the Zhongshan Road Commercial Street.

Another interviewee tells the story of how the separation of business function and administrative function happened. Then, the Chinese growth coalitions' deep and

close ties with governments are revealed when state-owned development enterprises entered the Chinese real estate market. Indeed, the development of the local economy is the performance criterion of Chinese government officials. From what we discussed, I make a comparison with urban renewal in the U.S. I reveal the characteristics of the Chinese growth coalition and the nature of the Chinese growth coalition by examining the roles/orientations of public, private, and state-owned development enterprises.

By studying the empirical case of the financing and development regime building of the Qingdao Olympic Sailing Centre (and its business circle), this study also exemplifies how an industrial site has transformed itself into a service-oriented post-industrial waterfront.

In a nutshell, the Chinese growth system has been stimulated by the fiscal decentralization/devolution that gives municipalities new autonomy. What is more, the birth of the market economy, the establishment of the real estate market after the 1980s reform, and the huge land-based profits generated by property investment all lead to the birth of Chinese growth coalitions. Together the growth coalitions bring new urban landscapes and economic growth. In turn, local economic development is the motivation for local government, state-owned enterprises, and the private sector to form a growth coalition. And the burgeoning urban economy makes Chinese cities the growth engine of the national economy.

Some interviewees believe that the current Chinese model of social regulation is not neoliberalism. They insist that the Chinese Communist Party and government dominate the political life of Chinese people. I can thus comprehend that the

state-owned development enterprise is the primary promoter of urban redevelopment projects. Furthermore, the limited level of market-oriented operation is guided by the government and participated in by private sectors' capital. Therefore, I understand that the urban redevelopment in Qingdao is conducted through the market-oriented operation with the municipal government's supervision. Others believe that the current Chinese urban management model is neoliberalism, confirming that the reason for fostering business activities and the city's civic life is to facilitate entrepreneurial urban governance. And the ultimate goal is to extract value from land-based speculative activities.

I argue that the current Chinese model of social regulation is intrinsically neoliberal entrepreneurial urban governance, and I disagree with the viewpoint that the current urban redevelopment model in Chinese cities is to "serve the people."

I deepened my understanding of how the redevelopment of the Olympic Sailing Centre project is led by the municipal government and state-owned development companies. An illustration from one of my interviewees' description is that the growth coalition in the Olympic Sailing Centre project is constituted by the municipal government, state-owned development enterprise (Dong'ao Corporation), and private developers. The municipal government controlled the land resources, and the state-owned development enterprise (Dong'ao Corporation) was responsible for leasing the land and mobilizing land resources in a market-oriented approach. Therefore, they are the primary stakeholders. In contrast, the Chinese private sectors in second-tier Chinese cities are only responsible for concrete property development;

they have no voice amid the development decision-making process, unlike their American counterparts. Nonetheless, the Chinese growth coalition is effective and efficient because of its close ties with the government.

## 2. Literature Review

The literature review chapter consists of three sections (sub-chapters): post-industrial waterfront redevelopment, the conceptual framework of urban development coalitions, and the financing tools of urban redevelopment projects. The concepts of post-industrial development, neoliberalism, urban regime theory and growth machine theory are introduced in the following fractions in this section. The theories above are central to answer my overall research questions in terms of laying the theoretical foundation for and working up to the empirical case study analysis. Each sub-section (2.1, 2.2, and 2.3) corresponds to each research question: sub-section 2.1 evaluates literature that helps us understand whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from Keynesian-Fordism industrial waterfront to the post-industrial service-based city. Sub-section 2.2 specifies how development coalitions function, in order to provide the conceptual tools to understand the actors that have facilitated waterfront redevelopment initiatives in Chinese port cities. Additionally, this section illustrates how the development coalitions are formed. The literature that is relevant to the third core research question is analyzed in sub-section 2.3, which is relevant to the projects' financing: the concrete off-budget financial instruments and the market ways of mobilizing land resources to finance the waterfront redevelopment projects in Chinese port cities.

## 2.1 Post-industrial Waterfront Redevelopment and Neoliberalism

The first sub-research question I am trying to answer in this section (2.1) is: *whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from Keynesian-Fordism industrial waterfront to the post-industrial service-based city.*

Although a vast amount of literature exists on urban waterfront redevelopment, most of it focuses on Europe and North America. But, in contrast, barely any scholars have applied the theories to Chinese port cities. Therefore, I review the existing literature to introduce the theoretical prerequisite for using them in a Chinese context.

To address my first core research question, I believe that the Qingdao Olympic Sailing Centre project reflects the transformation from a Keynesian-Fordism industrial waterfront to a post-industrial service-based city. The experiences in North America and Europe introduced in volumes such as *Transforming Urban Waterfronts* and *Global Port Cities in North America* could help us understand China's current waterfront redevelopment boom.

According to Desfor and Laidley (2011), waterfront redevelopment initiatives are significant because they are the critical components of twenty-first-century urban development. The waterfront redevelopment investments are designed to transform derelict waterfront industrial sites into "communities of hope" (Desfor & Laidley, 2011, p. 3) to facilitate sustainable urban economies. Therefore, the goals of waterfront redevelopment initiatives are to revive the older inner-city port areas.



Nevertheless, we need to understand everything relevant to the maritime ports and the politics of North American and European ports that may serve as precedents for us to understand what is going on in China.

#### 2.1.1. Disconnection between Port and City

My argument is that the “twin revolution” of containerization and neoliberal reform has promoted Chinese port cities’ transformation during the past forty years. Chinese port cities have experienced the transformation from a Keynesian-Fordism industrial landscape to a post-industrial service-oriented development mode. Amid this transformation process, many cities’ inner-city and downtown working harbours have moved to urban fringes, becoming container ports. I agree with the author, and my study contributes to conducting a systematic analysis about the retreat of manufacturing industries from inner-city working harbours. Thus, there has been a disconnection between ports and the downtown areas in many cities, which means that the container ports are no longer located within cities’ boundaries. For example, Qingdao’s and Dalian’s container ports have moved to the metropolitan regions’ peripheral areas where the water is deep and large container ships can be moored. Deindustrialization, moreover, facilitates neoliberalism. In turn, neoliberalism has facilitated the process of deindustrialization due to creative destruction. However, the disconnection between port and a city’s downtown unexpectedly enhances the connection between container ports and cities’ vast hinterlands. For example, after the relocation of Qingdao’s container ports to Huangdao Qianwangang, the economic ties

between Qingdao's new container port and rural hinterland were enhanced and strengthened.

For almost half a century, with the development of containerization and the introduction of shipping innovation, the phenomenon of disconnection has occurred. Disconnection refers to the change of physical, economic, and institutional relationships between ports and their cities (Hall & Clark, 2011). Thus, the changes in the maritime industry (such as containerization) are also linked to changes to the waterfront that then affect cities through various processes, including disconnection. Schubert (2011) argues that technological innovations such as containerization have made port container terminals extend more and more to the tidal water (farther out from land). The location of container port facilities, then, moves far away from the shallow and narrow port in the city's downtown traditional maritime trade core. During the boom of the global information economy, the new land-use activities began to flourish, promoting the tendencies of "from ships to chips" (Schubert, 2011). According to Schubert (2011), waterfront redevelopment is significant because the waterfront provides space for cities to transform into a post-industrial society. Since the waterfront is generally the location of the cargo distribution centre, the transportation of the waterfront area is convenient. Therefore, the waterfront exerts a significant impact on the "socio-cultural changes and spatial restructuring process" (Schubert, 2011, p. 75). Additionally, Schubert (2011) illustrates the transformation of a small-scale, project-oriented waterfront to a regional perspective by using the

conversion of London Docklands' to Thames Gateway as an example (Schubert, 2011).

The disconnection between central city and the city's port is embodied in the change of coastal configuration. Due to containerization, the vessels become more massive. Accordingly, more spacious channels are needed, as well as more convenient land transportation to be able to adapt to the larger container ships. And the downtown port urban use is incompatible with the container terminals. Thus, the port facilities move away from the city's core to the remote location and upgrade to large-scale port container terminals. In this way, the cargo ports are relocated downstream and far away from the traditional ocean- and river-front locations, so the city's traditional maritime trade core becomes blighted (Hall & Clark, 2011). In this vein, Vormann (2018) argues that the process of deindustrialization was promoted and accelerated by the neoliberal political realignment. The derelict harbour spaces are symbols of the declining American inner cities. Similar stories have also happened in Chinese cities. For example, the Beihai Shipyard relocation in Qingdao was to accommodate the construction of larger ships to fit the twenty-first century's shipbuilding demand. In a similar way, the industrial ports are disconnected from the city-region economically because the previous economic benefits of the port economy have been geographically dispersed due to the relocation of container terminals. The port economy is no longer closely associated with the (central) city economy. In contrast, container ports' economic benefits extend to the broader inland region

because of the relocation of container ports to the inland area and the enlargement of container vessels.

In addition to the economic disconnection, there is also an important phenomenon called institutional disconnection, which means the decision-making power has been moved up to the national and global levels from the local level. And one of the reasons that port managers face increasing difficulties in gaining local support for seaport development is that the economic benefits have been transferred from local port communities to the “widely spatially dispersed carriers, shippers, and final customers” (Hall & Clark, 2011, p. 21). In contrast, global private shipping interests are playing more important roles in the local port decision-making (Hall & Clark, 2011).

In the case of Vancouver’s port, many reasons are contributing to the institutional and economic disconnection. The federal government’s administration of the port leads to the institutional disconnection, whereas the economic disconnection between the port and city is caused by the exportation of natural resources linking overseas markets to the hinterland rather than Vancouver’s real economy (Hall & Clark, 2011). Therefore, Vancouver’s development is no longer a local issue but a national one because the natural resource exportation business stimulates the container terminal’s enlargement, which has many things to do with the national interests. The Roberts Bank coal terminal development has surpassed the traditional confines of the urban core and connects Greater Vancouver’s metropolitan area with the rural hinterland. This means the development of a deepwater container terminal at Roberts Bank has

involved people and port activities from extra-local regions (Hall & Clark, 2011). Still, the city and port eventually reconnect through the continuous infrastructure investment provided by the Greater Vancouver Gateway Council (GVGC) and the enactment of marine, trade, and tourism policies. This also ensures that there will be constant container flows for the port of Vancouver. The city and port therefore get reconnected through the mechanism.

Moreover, the concentration and dispersion of port activities are associated with the changing spatial distribution of advanced service sectors such as FIRE (finance, insurance, and real estate) industries (Hall & Clark, 2011). Hall and Clark (2011) further argue that the decision of infrastructure investment in Vancouver results from a political contest between the port and city region. So, the city-region is the crucial interface where reconnection occurs. This is somehow resonating with Brenner and Theodore's (2002) idea that cities are essential in actually existing neoliberalism because cities are where creative destruction and speculation of financial capital happen particularly intensely. This research's primary study site, Qingdao, has unique neoliberal traits due to its particular colonial heritage and export-oriented economy. I introduce and emphasize it in the following chapters.

In general, it is deceptive to think that disconnection and waterfront politics are confined to localized contests about property redevelopment and access to sites previously industrial, because waterfront politics is regional and extra-local. And the marine terminal activities could only be more efficient when the working waterfront

and metro hinterland are closely associated. Therefore, the working waterfront increasingly has more regional characteristics (Hall & Clark, 2011).

All in all, there are mainly three reasons contributing to the local reconnection: (1) the rise of Vancouver's local market, (2) a steady growth of flows of container cargo, and (3) different types of gateway strategies. However, the essence of this local reconnection dynamic is that community interests are dominated by global capital interests and extra-local ones. The Vancouver port interests have overlooked the "local political engagement in favour of federal and inter-provincial relationship" to "secure an increasingly regional 'space of dependence'" (Hall & Clark, 2011, p. 32). Moreover, this reconnection between ports and cities and local communities dominated by global interests as the result of a rising local market, facilitating container flows, and gateway strategies has happened in port cities in the West in general. And this is an application of Kevin Cox's idea of spaces of dependence and spaces of engagement: people rely on spatialized social relations against the broader global context to realize their essential interests (Cox, 1998). Cox's theory is linked to the state rescaling/neoliberal devolution introduced in the neoliberal theory fraction of the literature review chapter.

#### 2.1.2. Neoliberalism and Waterfront Redevelopment

Many Chinese port cities' waterfront redevelopment projects deeply reflect the rationales of neoliberal reform. These project-oriented waterfront transformations are regarded as essential within neoliberal rationale, not only because they are the flagship projects of their cities, but also because they are the iconic developments

across the region. The previous derelict industrial waterfront's transformation initiatives manifest the collapse of the Fordist industrial city and post-industrial service-oriented redevelopment. For example, the relocation of Beihai Shipyard and the Olympic Sailing Centre project's redevelopment exemplify this transformation process.

Schubert's article (2011) mainly explains how to transform a small-scale and project-oriented waterfront to a regional perspective of waterfront transformation. In the case of London Docklands' transformation to Thames Gateway, the semi-autonomous organizations were utilized to prevent the time-consuming democratic decision-making and to accelerate building permissions. Most of the Docklands' redevelopment initiatives were property and office-led redevelopments, and the redevelopment initiatives were developed against the context of privatization, deregulation, neoliberalism, and marketization (Schubert, 2011). Hackworth (2007) also believes that neoliberalism is deeply rooted in individualism, the market, and the non-interventionist state. In addition to that, from the Qingdao Olympic Sailing Centre redevelopment project I discuss in the following chapters, we can see that the Qingdao Olympic Sailing Centre initiative shares some neoliberal traits as elaborated by Schubert (2011): privatization and marketization. Nonetheless, deregulation resulted in fragmentation and polarization. The detailed outcomes of neoliberal deregulation are explored later. The tax relief was used to leverage private capital. Besides the privatization of planning, developers also started cooperating with the government. Weber (2002) explains that the neoliberal downward shift of states'

financial power has made municipalities tap into local property tax revenues to rely on the private real estate market. Sagalyn (2007) emphasizes that this transition from grantsmanship to deal-makingship restructures city officials and developers' relationships. My study conforms to Sagalyn's emphasis here. And my study presents that although the Qingdao Olympic Sailing Centre's financing still received financial support from the municipal government (for the financing of the relocation of the Beihai Shipyard part), the local public authority has also become businesslike and actively negotiated with the private developers.

Moreover, private developers have transformed the previous empty and derelict warehouses into expensive lofts and offices. And there are no longer any empty warehouses in the Olympic Sailing Centre area. The industrial relics have been replaced by luxury shopping malls, office buildings, and skyscrapers. The booming economy has made the previously isolated and fragmented part of the city become "regionally oriented sustainable development" (Schubert, 2011, p. 79).

Schubert (2011) concludes that the redevelopment of a derelict harbour exemplifies transforming a Fordist industrial city into a post-industrial service-oriented city. In the book *Global Port Cities in North America*, Vormann (2018) describes how the industrial waterfront was considered by city managers in the reformative 1980s as the symbol of backwardness and how this industrial polluted Keynesian-Fordist waterfront transforms itself into a tourist and recreational attraction. Moreover, the Qingdao Olympic Sailing Centre's redevelopment case unravels how the manifestation of a Fordist industrial waterfront (the Beihai Shipyard) develops



into a post-industrial service-oriented waterfront. And it presents the industrial upgrading—from ships to chips. Redevelopment of the derelict harbour shows that it has become part of the large-scale strategic perspective and part of the broader comprehensive urban and regional integration. Furthermore, these flagship projects are no longer locally led; rather, they are regionally led and impact regional development in the long-term (Schubert, 2011). And the urban commercial cores and CBDs have become the “billboard” of exhibiting neoliberal governance through constructing great mega flagship projects (Hackworth, 2007, p. 171).

Due to the influence of existing neoliberalism (though the Chinese official discourse denies the discourse of neoliberalism, one of my interviewees, Zhipeng Li, is in line with the Chinese official discourse), the market form of development is based on the roll-back destruction of the Fordist industrial landscape. Thus, the development of new projects is more like roll-out creation. Peck and Tickell (2002) believe that roll-out neoliberalism means the reconstitution of state, the reformation of social regulation (a contrasting concept roll-back destruction is defined and explained in the following neoliberal paragraphs in the literature review section), and the building and consolidation of neoliberalized government sectors. Roll-out neoliberalism also refers to the “neoliberalized economic management, authoritarian state form, and proactive policies” (Peck & Tickell, 2002, p. 49). All in all, roll-out neoliberalism exemplifies the rebuilding of state-interventionist, paternalist, and punitive government disciplines (Peck & Tickell, 2002). Therefore, many projects are

initiated per the market way (private sector plays a dominant role) under the neoliberal institutional interventionist.

The sixth chapter of *Transforming Urban Waterfront* (2011) revisits waterfront redevelopment dynamics in London Docklands more specifically. In theory, that waterfront redevelopment is highly market-oriented and impacted by neoliberalism, which is reflected by the “dominance of market criteria in decision-making” (Brownill, 2011, p. 129). However, in reality, the redevelopment projects in London Docklands have the features of state “interventionist agenda” (Brownill, 2011, p. 129), and this conforms to the rationales of actually existing neoliberalism. Moreover, this resonates with Brenner and Theodore’s (2002) argument that neoliberal policies misrepresent the real effect of how neoliberal ideologies should be. Likewise, for the waterfront redevelopment projects in second-tier Chinese cities such as Qingdao, the municipal government is always the stakeholder who has the final say. State interventions were used to create land and property markets, and semi-autonomous agencies were created to leverage further private investment (Brownill, 2011). The establishment of the Qingdao Dong’ao Development Corporation is the semi-autonomous agency created in the Qingdao Olympic Sailing Centre’s case to facilitate the financing and redevelopment of the waterfront project. The redevelopment cases of London Docklands, therefore, are typical examples of roll-back and roll-out neoliberalism. Roll-back neoliberalism refers to the removal of social welfare and state capacities, and the destruction and dismantling of Keynesian-welfarist and social-collectivist institutions (Brownill, 2011). Avni and

Fischler (2020) illustrate that waterfront redevelopment projects worldwide have been used as showcases of neoliberal entrepreneurial urban governance, and the success of these redevelopment projects reflects the dominance of corporate interests. And according to Avni and Fischler (2020), the development dynamics of the waterfronts are defined by unequal power states. North American municipalities are moving away from the welfare state toward promoting their cities' competitive edge amid the transformation of the Keynesian welfare state to neoliberal entrepreneurial urban governance. The policies to improve social welfare are replaced by local economic development policies. Thus, social well-being is neglected amid neoliberal waterfront redevelopment projects (Avni & Fischler, 2020). In contrast, roll-out neoliberalism is the construction and consolidation of new state forms, which is manifested by neoliberalized economic management and authoritarian, paternalistic, and punitive state forms (Brownill, 2011).

### 2.1.3. Waterfront Redevelopment Project and Property-led Economic Development

To a large extent, waterfront redevelopment is a form of the property-led development scheme. Many city managers in the Chinese port cities are accustomed to using property-led economic development to usher in waterfront redevelopment projects. And many industrial land uses are up-zoned to commercial and residential land use. For example, the site of Qingdao Olympic Sailing Centre's original use was an industrial shipyard. Furthermore, redevelopment projects such as Olympic Sailing Centre, as the centre of the city's CBD, have played a significant role in attracting tourists and high net-worth individuals to move and live there. In a sense, the CBDs

and business circles, centred by the waterfront redevelopment projects, have become the important attractions that are the carriers of high-end development. For example, in Chengdu, the IFC (international financial centre) in Chunxi Road has been a huge commercial development hub of business activity. And many spin-off real estate developments surrounding IFC have been initiated since the IFC became a signature development project in the Chunxi Road area. By the same token, the Olympic Sailing Centre project paved the way for a similar development story in Qingdao. The aforementioned projects all gathered great popularity and promoted the city's economic development by facilitating GDP growth and creating job opportunities in the Qingdao region (this is not contradicted by Logan and Molotch's [1987] growth machine theory's discourse on growth).

Schaller and Novy (2011) talk about how the post-industrial top-down development agenda accelerates economic growth by designing property-led economic development. Chapple (2014) believes that property-led economic development highly relies on private investment and an incremental entrepreneurial approach, and it is very much market-driven. My research is contrary to Chapple (2014)'s opinion. In the case of the Qingdao Olympic Sailing Centre project, the state-owned enterprise and municipal government dominate the local growth coalition. So my research contributes to building a property-led economic development with Chinese characteristics in the second-tier Chinese cities. And under the principle of "The highest and best use," all property-led economic development projects must be oriented toward profitability. Therefore, industrial land use should be up-zoned to

commercial/residential land use. The Qingdao Olympic Sailing Centre's redevelopment project exemplifies this rationale of "The highest and best use" to generate enormous profitability. According to Schaller and Novy (2011), writing about then-New York Mayor Michael Bloomberg, the Bloomberg Way is the typical roll-out neoliberalism as the state has played a robust and aggressive role that includes (1) rezoning, (2) a property-led economic development venture, and (3) improving the city's transport infrastructure and expanding/enhancing public space. The overall goal of these policies was to promote New York's future population growth, accelerate its economic development, and propel the city's attractiveness to investors, tourists, and high-income earners. Schaller and Novy (2011) describe the deindustrialization process and the decaying waterfront in New York City and explain how the dilapidated waterfront became the space of hope for post-industrial growth and high-end redevelopments. This resonates with Vormann's (2018) argument that entrepreneurial strategies have been used to promote post-industrial redevelopment and economic restructuring. The Qingdao Olympic Sailing redevelopment scheme manifests the post-industrial economic restructuring by facilitating the dismantling of deteriorating industrial sites and promoting retail development. What Vormann has generalized therefore confirms the effectiveness of Bloomberg's way of revitalizing the dilapidated waterfront and stimulating central cities' economies. One of the prominent features of Bloomberg's way reconstructed the abandoned industrial waterfront by initiating projects/property-led regeneration to build marinas, hotels, office buildings, and apartments so as to build the post-industrial service-oriented

waterfront (Schaller & Novy, 2011). What is more, his way supported waterfront revitalization initiatives to develop unoccupied land for property-led economic development that aimed to promote entertainment land-use development and the revival of old commercial districts (Schaller & Novy, 2011). The once industrial polluted waterfronts were dilapidated and declining (Schaller and Novy, 2011), but served as the right niche for commercial and residential development, so the Bloomberg administration sought to extract value from the entrepreneurial urban development and create new urban recreation space (Schaller & Novy, 2011).

Nevertheless, one reason Bloomberg's approach was popular is that it maintains the region's long-term viability (Schaller & Novy, 2011): many niche manufacturing job opportunities are created, and the preservation of other industrial blue-collar jobs is part of this post-industrial waterfront redevelopment (Schaller & Novy, 2011). The Bloomberg administration's NYC waterfront redevelopment strategy is a more balanced one (Bloomberg's waterfront redevelopment strategy also considers keeping blue-collar manufacturing jobs), compared with the London Dockland redevelopment initiative, and it emphasizes the maritime industry and the maintenance of blue-collar jobs (Schaller & Novy, 2011). Furthermore, many industrial waterfront jobs are preserved to reflect the local economy (Schaller & Novy, 2011).

#### 2.1.4. Entrepreneurial Urban Governance

The entrepreneurial urban governance in Chinese cities' politics is the critical force propelling the boom of waterfront flagship redevelopment projects across the nation. In Chinese vice-provincial cities such as Qingdao, the city's secretary of the

municipal party committee (who has more power than the city mayor) could potentially mobilize tens of billions of yuan, and most of these funds are used as stimulus packages to leverage private investment or for fixed-asset investment. Lin and Yi (2011) argue that the “system of fiscal responsibility” reformation has enticed the municipal governments in China to initiate land development projects to promote local public finance because the local governments were allowed to keep the surplus profits earned from the local redevelopment projects after a lump-sum payment to the central government every five years. Thus, the fiscal system’s decentralization has directly facilitated the urban redevelopment projects in the Chinese cities. Hence, the local revenues generated from real estate development projects have become one of the largest financial resources for local public finance (Lin & Yi, 2011). The Chinese municipal governments are increasingly using land development as a means to generate wealth for facilitating economic growth and the urbanization process. For example, the land conveyance fees have been collected by the Chinese local governments to financially support infrastructure construction and site maintenance to attract FDI and foster the tax base. Moreover, many urban lands are used by state-owned development enterprises established by the municipal governments as collateral to apply for bank loans (Lin & Yi, 2011).

Susanne Heeg (2011) conceptualizes the role of urban planning and the flow of capital to analyze how they promote the development process. According to Heeg (2011), urban strategies depend upon the nature of how development coalitions generate revenues and how the relevant revenues circulate temporally and spatially.

Consequently, urban politics is designed to facilitate redevelopment investments and earn revenues to promote the reproduction of economic and social activities (Heeg, 2011). Heeg (2011) also states that the task of planning should include the amelioration of the built environment that will improve the underlying infrastructure for production and reproduction, circulation and consumption. Moreover, urban planning should also include civic collaboration with the private sectors and the utilization of private resources (Heeg, 2011). In the second place, conceptualizing urban planning's role includes summarizing the relationships between urban planning and property-led economic development because property-led economic development is also part of the relationship between the real estate industry and urban planning (Heeg, 2011). To be specific, urban planning includes interest calculation, cooperation with private actors, a degree of land-use intensification, the relaxation of planning restrictions, the enhancing of returns for private actors, the role of the local state as incentive providers, and the function of urban politics to activate and mobilize private actors and capital (Heeg, 2011). This is similar to what Hackworth (2007) stated: the local state can use land-use zoning power to protect real estate elites' interests by differentiating commercial space from other space. Heeg (2011) also explicitly specifies the different features of various types of urban politics (such as entrepreneurialism and managerialism).

For instance, entrepreneurialism stresses less on social welfare and mass consumption but focuses more on utilizing regional resources in a liberalized local market (Heeg, 2011). In the aspect of the built environment, managerial urban politics



focuses on improving the built environment to ameliorate the underlying infrastructure to improve residents' mobility (Heeg, 2011). The main political actors of urban management and governance are the public. Unlike current entrepreneurial urban governance, the leading actors are the private ones. The government designs most urban planning initiatives and receives state financial aid (Heeg, 2011). Moreover, public planners determine the development arrangement of the urban area (including industrial sites, housing, and transportation systems) (Heeg, 2011). This is based upon the tenet that state-run urban planning would consider the best interests of the entire population. However, as Hackworth (2007) states, the previous Keynesian regulatory landscapes such as redistributive impulse, social service, and housing are weakened by neoliberal entrepreneurialism.

The foundation of government-led planning is to ensure a sufficient amount of tax income investment to finance the infrastructure projects so that the quality of living of the urban poor will be improved (Heeg, 2011). Because of the transition to neoliberal entrepreneurial urban governance, the urban built environment's political agenda has fundamentally changed (Heeg, 2011). Entrepreneurial politics could be utilized to generate external funding, new investment, and new employment (Heeg, 2011). My study agrees with Heeg (2011)'s opinion. The Chinese urban redevelopment coalition, made up of the city halls (including state-owned enterprises) and private developers, extracts value from urban redevelopment projects. And my study contributes to building a concrete mechanism of how that coalition operates. The contemporary political actors of entrepreneurial urban governance are both

private and public sectors, and one of their goals is to let private finance become the crucial financial tool to ameliorate the urban built environment (Heeg, 2011). Stone (1989) states that municipal governments across the U.S. are increasingly using public money to leverage private investment to tap into local resources. And in Qingdao Olympic Sailing Centre's case, the Qingdao municipal government successfully enticed private investment by using market mechanisms. Nevertheless, the situation in second-tier Chinese cities such as Qingdao is different from the North American context due to the nature of Chinese semi-autonomous state development companies and the level of market system development. Generally speaking, under the context of entrepreneurialism, the Chinese private-sector interest is playing a more important role than before (Heeg, 2011). The public sector's role decreases relatively, functioning only as a facilitator (Heeg, 2011). All in all, planning and urban politics play significant roles in terms of overcoming the city's internal barriers to propel property-led economic developments (Heeg, 2011).

#### 2.1.5. The Transformation to Post-Industrial Service-oriented Waterfront

In essence, the fundamental reason propelling the transformation from the Fordist industrial waterfront to the post-industrial service-oriented waterfront is the twin-revolution: containerization and neoliberal revolution. Amid this transformation process, the rationale of Chinese port cities' urban politics is to channel and stabilize the mobility and capital volatility to conform to the neoliberal doctrine. Moreover, the role of Chinese municipal urban politics is to ensure the investment rate of return on real estate speculative activities, and the municipal government plays an important

role in maintaining the market mechanism to extract value from the land investment. And the ultimate goal of Chinese urban politics is to promote “land finance,” which refers to the return on real estate investment. Nevertheless, land finance also involves borrowing to develop, which has raised many concerns (Pan et al., 2017). Scholars are questioning whether mounting local debts are undermining the local fiscal system and whether the local government’s debt would undermine the financial stability and cause risks to the Chinese municipal governments (Pan et al., 2017). According to one of my interviewees (Zhipeng Li), in the Chinese political language, the municipal government must ensure “the preservation and appreciation of state-owned assets.” The above description of Chinese urban politics manifests the entrepreneurial urban governance nowadays in Chinese cities.

In a word, the current Chinese urban political ecosystem is to promote the competitive edge of Chinese cities with a free-market mechanism amid the process of economic restructuring. Under this framework of neoliberal post-industrial waterfront redevelopment, the cost and price of neoliberal reformation and development have been disproportionately absorbed by the relocated shipyard workers. Their situation is very much similar to truck drivers who lose benefits and absorb the cost of enhancing the voice of the shipping giants, which I introduce in the following paragraphs.

In the book *Global Port Cities in North America*, Vormann (2018) explains how the industrial waterfront was considered the symbol of backwardness and how this industrial polluted Keynesian-Fordist waterfront transforms itself into tourist and recreational attractions. Schubert (2011) also concludes that the redevelopment of

derelict harbours exemplifies transforming a Fordist industrial city into a post-industrial service-oriented city. Therefore, this chapter's key points analyze how the realignment of institutions and restructuring of industrial patterns lead to the challenge for the Keynesian-Fordist regime.

Vormann (2018) then examines how the Keynesian-Fordist system transforms into neoliberal politics due to the twin revolution (neoliberal revolution and logistics/containerization revolution). He argues that Keynesian-Fordism's crisis is due to the devaluation rooted in the stagflation of economic development and the characteristics of the Keynesian-Fordist system (mass consumption and mass production). Simultaneously, due to the "mobile and volatile capital flows" (Vormann, 2018, p. 53), people started to reassess national politics. Consequently, this results in the "realignment of political structure" and the neoliberal political system (Vormann, 2018, p. 53). Vormann (2018) explains that Fordist production's unbundling is also partially due to the logistics innovation that plummets transportation costs. This brings in the transformation from "bulk production and consumption" to "flexibilized and niche markets" (Vormann, 2018, p. 62) so that "just-in-time production" could meet the demand of changing consumer tastes (Vormann, 2018, p. 62). In order to cope with the 1970s stagflation crisis, North American cities decided to conform to the rationale of the market, to let it decide what to produce and to provide the right incentives for entrepreneurs. People then reached a consensus that the market should be liberated from government overregulation (Vormann, 2018). The concrete strategies that North American cities adopted to cope with the 1970s stagflation crisis

and to enhance their competitiveness are fiscal austerity and economic restructuring. These neoliberal strategies could be considered North American cities' urban entrepreneurial governance strategies to respond to the collapse of Fordist production (Vormann, 2018). Hackworth (2007) uses New York, Philadelphia, and Detroit's case study to unravel how bond-rating agencies promote neoliberal governance and entrepreneurialism and eliminate the Keynesian welfare state amid the Keynesian-Fordism crisis. Then Vormann (2018) explicitly explains the reasons that led to the Fordist production system's downfall: (1) the 1970s were the end of Fordist oligopolistic public utilities; Fordist scale economies and bulk production were not popular anymore and had been replaced by just-in-time and flexible production facing the niche market to meet the demand of diversified customers, (2) decreasing transportation costs due to the logistics revolution, and (3) the collapse of the Keynesian-Fordist welfare state. All in all, the logistics revolution has a significant impact on the political realignment of the neoliberal state, and the neoliberal political realignment, in turn, reshapes the physical landscape of North American cities (Vormann, 2018). And the neoliberal regime is based upon two essential rationales: (1) free market, and (2) anti-welfarist free market. The logistics revolution (containerization) reinforces the importance of global market forces, and the crisis of the Fordist system was due to the state's inability to cope with the free market and the objective law of commodity society. The process of deindustrialization was promoted and accelerated by the neoliberal political realignment. Thus, the neoliberal technological advancement and the roll-out of neoliberal restructuring have destructed

the previous Fordist industrial landscape, which shows the end of Keynesian-Fordism and the beginning of the post-industrial era (Vormann, 2018).

In the next chapter, “The Redundancy of Fordist Infrastructure,” Vormann (2018) explains that derelict harbour spaces are the symbols of declining American inner cities. Hall and Clark (2011) strike a chord with Vormann; they argue that downtown port use is incompatible with container terminals because of the revolution of containerization since the late 1970s. Thus, industrial port facilities moved from the port city’s core to the remote location and upgraded to large-scale port container terminals. In this way, the cargo ports are relocated downstream and away from traditional riverfront locations, so the city’s traditional maritime trade core becomes blighted. The neoliberal reform is against the Fordist regime and its redistributive welfare institutions. Meanwhile, the deindustrialization caused by the neoliberal turn also obsolesces the industrial cityscape and leads to devaluation and redundancy. So the Fordist industrial past has brought the impression of pollution and hard work. I agree with what Hall and Clark (2011) have argued. And my study contributes to evaluating the Chinese post-industrial deindustrialization of the previous Keynesian-Fordism landscape by analyzing the dilapidation process of the Beihai Shipyard and the relocation of the shipyard.

In Chapter 5, Vormann (2018) examines how global port cities’ waterfronts become the stage for transforming to the post-industrial era and how to transform the derelict waterfront. This is because the 1970s global stagflation had obsolesced Fordist production, so the industrial waterfront went over devaluation. Amid the process, the

global port cities began to turn to the service industry through property-led economic development (entrepreneurial strategies). Therefore, the derelict industrial waterfronts were transformed into more expensive and more attractive residential and commercial use. New York City had adopted this strategy to combat the mid-1970s financial crisis. The city municipality used entrepreneurial strategies to leverage private investment. One example was the adoption of pro-business restructuring strategies to transform Battery Park City into luxury housing and park to meet the demands of white collars in the World Trade Centre. The social inclusiveness strategies were replaced by growth strategies, which is reflected in the replacement of industrial sites by tourism, high-end service industries and housing, and office buildings. According to Vormann (2018), amid the transformation from inner-city industrial waterfront to post-industrial redeveloped waterfront, the port facilities disappeared from the inner-city waterfront, the industrial dock workers are replaced by white collars and tourists, and leisure facilities replace danger/polluted port terminals. The waterfront post-industrial redevelopments successfully cleansed New York City's previous industrial labour image, and tertiary post-industrial activities eventually replaced industrial production activities (Vormann, 2018). All in all, the entrepreneurial strategies could be used to promote post-industrial redevelopment and economic restructuring, but these all depend on a city's clean image that is free from industrial pollution. So, the classic waterfront redevelopment strategies include (1) business district, (2) retail shops, (3) recreational facilities, (4) entrepreneurial centres, (5) private sectors that are leveraged to invest in commercial development, and (6) tourists flocking in (Vormann, 2018).

Schaller and Novy (2011) also describe the deindustrialization process and the decaying waterfront in New York City and explain how the dilapidated waterfront became the space of hope for post-industrial growth and high-end redevelopments.

Vormann (2018) specifies that production and logistics systems' costs are externalized in the global production network. However, the author argues that the costs of these neoliberal post-industrial waterfront redevelopments are absorbed by the public and "capillary ends of the logistics industries" (Vormann, 2018, p. 133).

Vormann (2018) illustrates that containerization usage results in decreasing transportation fees and promotes global production and consumption. Nevertheless, the cost of decreasing transportation costs is disproportionately absorbed by industrial workers in the transportation industry and the public living near the transportation infrastructure. And amid this relocation of costs, politics plays an important role.

The transportation industry's neoliberal reform has had two outcomes: (1) cost-shifting, and (2) externalization of costs. Because of deregulation policies, the multinational corporations' costs of producing activities are externalized to each industrial worker on the industrial chain. And the environmental costs of the decrease in global container transportation are absorbed by the residents living near the port terminals (Vormann, 2018). Vormann (2018) also emphasizes the pressing need for deregulation to replace regulation because deregulation could bring in marketization and transformative reform, which continues to lead to market efficiency. In contrast, centralized government control could only result in restrictive labour practice and consequent congestion. Therefore, the regulation (in NYC) was seen as a symbol of



inefficient oligopolies and as enhancing the entry barrier. That is why deregulation is so essential and necessary.

One of the consequences of deregulation is an improvement in shipping industries' power. Many reasons contribute to the result, but the most significant one is decreasing transportation fees caused by intermodalism. In the late 1970s, shipping companies started to gain more power for negotiating with the ports. And proportionately, the ports have lost their bargaining power, so they have had to invest more in the container infrastructure to be attractive to shipping companies, liner trade, and global finance and to keep themselves competitive (Vormann, 2018). Therefore, many ports have experienced privatization of assets and services, and this is reflected by the shift in power from public ownership to the landlord model, which means that the public authority leases the land and container terminals to private operators. And due to the increasing demand for capital investment for container port infrastructure, the capital of global institutional investors enters the market to invest more on container infrastructure (Vormann, 2018). This exemplifies the liberalization of international trade (Vormann, 2018).

Deregulation has shifted the balance of power from industrial workers to management, and truck drivers are the most disadvantaged and oppressed in deregulation. It led to the owner-operator model, and truck drivers' interests have been significantly impaired. This is because the owner-operator model's operating cost has shifted to independent contractors (truck drivers). Moreover, truck drivers'

working conditions are terrible; they have to assume the overcapacity risks, and most of the drivers are non-union minority workers (Vormann, 2018).

All in all, deregulation reform in the transportation industry has created low-income groups (the truck drivers). The low-skilled and low-income dock drivers are either relocated or displaced, so the risk to the transportation industry, the risk of market fluctuation, and the cost of operations were shifted to individual workers. Truck drivers have become the most exploited class, and it was created by the freight-moving industry (Vormann, 2018).

In general, global shipping companies have benefited a lot from deregulation, which destructs the Fordist regime of production. And the decreasing transportation costs could further liberalize international trade. In a word, consumers, shippers (especially multinational corporations and large retailers), and dock labour all benefit from deregulation. However, truck drivers have had to absorb the cost of deregulation; they became the class that has been exploited due to the “race to the bottom” (Vormann, 2018). Nonetheless, deregulation does reduce transportation costs, and the decrease in logistics costs was large enough to globalize the production process entirely (Vormann, 2018).

In summary, the negative externalities of global production networks were disproportionately absorbed by the community’s poorest residents. Truck drivers assumed the cost of logistics and neoliberal revolution, which is commonly known as the “double burden”: environmental and social costs (Vormann, 2018). Booming has contributed to building a lucrative port industry, but it rarely contributes to the local

economies. Meanwhile, the environmental crisis caused by industrial pollution has created negative externalities for communities living near the logistics facilities, so this creates an inequality problem (Vormann, 2018). Vormann (2018) finally argues that the benefits and costs of neoliberalization have been unevenly distributed because certain disadvantaged social groups have unequally paid the price of its social, environmental, and security costs. Jacobs (2012) supports the viewpoint by unravelling the entrepreneurial waterfront redevelopment projects that have further deteriorated income inequality in the metropolitan Tokyo area. Tokyo's Waterfront City Project was intended to generate a "Japanese Silicon Valley" to be the base of Japanese high-tech enterprises, and this initiative has been supported by the Japanese central government "politically and financially" (Jacobs, 2012). However, the previous low- and middle-income public affordable housing had to be demolished to make way for new upper-class residential units to attract white-collar workers (Jacobs, 2012). In addition to that, the income growth rate (represented by household income and per capita income) of the district where the project is located is not synchronized with that of other districts (Jacobs, 2012). This has created severe social inequality in Tokyo, though still far less pronounced than in the U.S.

The post-industrial waterfront therefore reflects a concentration of wealth, but the adjacent port communities suffer from the logistics industry's socio-economic deprivation and pollution. In the same vein, Hackworth (2007) illuminates that gentrification is the process of private development replacing Keynesian egalitarianism in the real estate market. He continues to explain that gentrification is

the neoliberalized space of exclusion that abandons attempts to ameliorate the inequality of capitalism (Hackworth, 2007). The result is economic and political inequality. And the middle class is stuck in stagnation and disintegration (Vormann, 2018). Vormann (2018) also argues that the post-industrial waterfront propellers—free-market regimes and fair and environmentally friendly cities—are international investors, the global chains of supply and demand, and international organizations. However, these ideal markets do not exist because the state plays a significant role. The state provides a friendly climate and uses tax incentives to attract real estate developers. Nonetheless, shipping companies and big retailers benefit the most from this post-industrial global production network, while the cost of neoliberal liberalization is disproportionately assumed by the truck drivers' class (Vormann, 2018).

#### 2.1.6. Neoliberal Shift and Urban Development in Chinese Cities

The Chinese economic model before the 1980s neoliberal reformation may be seen as a form of Keynesian planned economy. Though the state ownership and five-year plans of pre-open door China were not the same as Keynes' ideas, there were similarities. Thus, the 1980s neoliberal reform and open-door policy are an ideological rejection of Keynesian-Fordism. The major characteristics of the reform are marketization, privatization, and the state's withdrawal from social production. But the extent of this reform differs and depends on different regions. The degree of marketization in the southeastern coastal regions is relatively high. In contrast, in second-tier Chinese cities and northern provinces, the close ties between municipal

governments and real estate elites are still significant. Therefore, the current Chinese cities are experiencing economic restructuring and eliminating backward production capacities. Consequently, this could be seen as part of the neoliberal transforming process. Amid the changing process, many industries and fields have experienced the withdrawal of state intervention such as the central government's cutbacks for financing the regional development projects (Wang et al., 2011). Moreover, due to the neoliberal devolution, the local Chinese growth coalition (city hall and business elites) increasingly taps into local financing and business resources and absorbs the devolved power and resources (Wang et al., 2011). The benefits of the devolution of decision-making power include (1) the local governments have more autonomy, (2) the central government can reduce outlays and reshape fiscal austerity, and (3) the government policies become more efficient and specialized, targeting local issues.

Obviously, most Chinese port cities' waterfront redevelopment projects no longer receive the government's large-scale direct subsidies. At least on the surface, the financing mechanism of the redevelopment projects is very much marketized. Although, in second- and third-tier Chinese cities, the localized special ties between municipal governments and business elites are still important for developing coalitions to win government support and guarantees. Other than that, the state-owned development corporations are still important in financing waterfront projects and propelling the projects' proceedings.

Though Hackworth (2007) submits that bond-rating agencies are still playing a critical role in determining the financing of cities' redevelopment projects, the

Chinese domestic bond-rating agencies' role in similar projects is quite limited. This is where the financing mechanism of urban projects in Chinese cities is incomplete. Or, we could say that the capital market has not been fully utilized in the financing of redevelopment projects in central cities.

In addition to that, the upsurge of Chinese port cities' waterfront redevelopment is the epitome of the opening and financialization of the real estate market. The marketization and financialization of the real estate market in Chinese port cities have contributed as pillar support to the increase of municipal governments' income across the nation. Municipal governments thus have ample financial sources to invest in other public goods or urban redevelopment projects such as utilities and infrastructure.

The entrepreneurial regime is discussed in detail in the following chapter. Here, however, I would like to reflect on the governing coalition's influence on Chinese local government by enacting land zoning that excludes other social groups (such as the demolition and relocation of existing neighbourhoods) to make way for elite real estate developments. Generally, demolishing and relocating derelict neighbourhoods amid the redevelopment process are some of the most difficult tasks. If a redevelopment project is delayed for many years, it will most likely delay demolition—especially if the redevelopment project is located in the centre of a city. With land prices skyrocketing in urban areas, compensation for demolition is often quite high. Similar to American cities, it can be challenging for the residents and private developers to reach a consensus.

The gentrification and redevelopment in inner-city downtown port areas unfold according to how the neoliberal turn reshapes urban form and the built environment in city centres. Therefore, in the U.S. and in China, neoliberalism is a kind of gentrification process dominated by the market and coordinated by the government.

The book *The Neoliberal City: Governance, Ideology, and Development in American Urbanism* is important for this study because author Hackworth (2007) explores neoliberal governance and the ideological origin of the neoliberal turn in the North American context, and because it lays the theoretical foundation for my work. The theories examined in Hackworth's work are useful for applying the concepts to Chinese cities.

Hackworth's book (2007) first evaluates the relationship between neoliberalism and the Keynesian-Fordist welfare state. Hackworth (2007) argues that neoliberalism is an ideological rejection of egalitarian liberalism and the Keynesian welfare state. He then argues that neoliberalism is deeply rooted in individualism, market, and the non-interventionist state because amid the ideological shift to neoliberal governing, redistribution is seen as a disadvantage for international competition. Furthermore, as Schubert (2011) mentioned, the neoliberal redevelopment projects after the 1980s were designed against the context of privatization, deregulation, neoliberalism, and marketization. Nevertheless, monetarism is seen by neoliberal proponents as the only macroeconomic intervention needed by the nation-state (Hackworth, 2007). Moreover, many Keynesian regulatory powers such as public sector-led land-use zoning, redistributive impulse, social service, and housing are weakened (Hackworth, 2007).

Also, as an ideological rejection of Keynesian-Fordism, Heeg (2011) argues that the recent rise in neoliberal entrepreneurialism stresses less on social welfare and mass consumption and focuses on using regional resources in a liberalized local market.

Hackworth (2007) further argues that actually existing neoliberalism is contingent and involves both neoliberal destruction and creation. Brenner and Theodore's (2002) book holds a similar viewpoint. They identify three key points of actually existing neoliberalism as (1) path dependence, (2) the underpinning of an inherited Keynesian-Fordist regulatory landscape, and (3) the neoliberal capitalist market-oriented restructuring (Brenner & Theodore, 2002). The neoliberal destruction includes the dismantling of Keynesian artifacts such as public housing/space and the removal of redistributive/welfare policies. In the U.S., it includes the removal of the Department of Housing and Urban Development (HUD), labour institutions, Fordist labour arrangements, and federal government redistribution policies. Neoliberal creation includes institutional cooperation, the establishment of new institutions, and workfare (Hackworth, 2007). Brenner and Theodore (2002) also define the concept of creative destruction. They describe it as "geographically uneven, socially regressive, politically volatile trajectories of institutional/spatial change" (Brenner & Theodore, 2002, p. 2). In terms of creative destruction, I agree with what Brenner and Theodore (2002) have defined. The redevelopment project of the Olympic Sailing Centre is built upon the relocation of Beihai Shipyard and the blight of the Zhongshan Road business circle. So my study contributes to analyzing the urban redevelopment and gentrification of Chinese cities under a neoliberal framework.



Meanwhile, creative destruction can also be defined as “destruction of extant institutional arrangement and political compromises through market-oriented economic growth, commodification and the rule of capital” (Brenner & Theodore, 2002, p. 15).

In order to better understand the concept of creative destruction, Brenner and Theodore (2002) break it down as “destructive tendencies” and “creative tendencies.” Destructive tendencies refer to “vestiges of the Fordist-Keynesian settlement that have been threatened or undermined through the neoliberal offensive.” And creative tendencies refer to “institutional realignments and political adjustments that have imposed new forms of market discipline” (Brenner & Theodore, 2002, p. 19).

Generally speaking, the authors (2002) believe that creative destruction is a process that generates inequality and polarizes social economic development. Therefore, amid the neoliberal roll-back destruction and roll-out creation process, the Keynesian-Fordist policies and artifacts are destroyed to make way for neoliberal policies and ideologies. At the same time, the nation-state is hollowed out as an institutional buffer between localities and the global economy. The reduction of national interventions concentrates on public housing, local infrastructure, and welfare, while the consolidation of state intervention is advanced in the field of monetarism (Hackworth, 2007). Also, due to the neoliberal reduction of national intervention such as federal cutbacks of urban renewal, the localities increasingly have to rely on their own resources to finance the areas, leading to the phenomenon of glocalization (Hackworth, 2007). According to Weber (2002), due to the federal

cutbacks, the local development coalitions increasingly relied on their own resources. And this is exactly what happened in the Qingdao Olympic Sailing Centre's case. After China's 1980s neoliberal reform, the Qingdao municipal government undertook the devolved financial power. Hence, they had to cooperate with the local private sector to tap into their own resources.

Hackworth (2007) also illustrates that actually existing neoliberalism is a contingent process, and it is incremental and uneven. It has characteristics of both the roll-back destruction of Keynesian intervention and the roll-out creation of neoliberal policy. And this can lead to a segmented policy landscape, which means Keynesian artifacts (such as public housing) and roll-out neoliberal policies (such as workfare) coexist (Hackworth, 2007). As mentioned earlier, both Brownill's (2011) and Peck and Tickell's (2002) works define roll-back neoliberal destruction and roll-out neoliberal creation.

Hackworth (2007) thus defines the neoliberal path as the reduction of public subsidies and regulations. And it involves the economic liberalization and privatization of public services. Neoliberalism should be considered, therefore, an ideological rejection to Keynesianism, in which many regulatory powers such as land-use zoning, social service, public housing, and the redistributive impulse are undermined (Hackworth, 2007). Similarly, Peck and Tickell (2002) illuminate that neoliberalism exemplifies the state's withdrawal. After the 1980s neoliberal reform, the Qingdao municipal government withdrew from directly participating in real estate development by establishing semi-autonomous redevelopment agencies such as

Dong'ao Development Corporation. The concrete economic liberalization policies include privatization, austerity, deregulation, and free trade that hew to the philosophy of individualism, market, and the non-interventionist state (Hackworth, 2007).

Then Hackworth's book (2007) examines the reasons for shifting to neoliberalism and dismantling the Keynesian-welfare national state. He believes that the shift to entrepreneurial/neoliberal urban governance or the dismantling of Keynesian managerialism is a result of the "institutionally rigid set of ideological constraints imposed by financial capital" (Hackworth, 2007, p. 18). In addition, the financial and regulatory institutions impose regulations to reward or punish the cities that adhere to or disobey the rationales of neoliberalism. For example, in developed countries, financial institutions such as bond-rating agencies are the institutions that promote neoliberal urban governance, the shift to entrepreneurial city regulation, and the dismantling of Keynesian managerialism (Hackworth, 2007). The bond-rating agencies could decide the quantities, qualities, and geographical distribution of local investments in developed countries. Therefore, whether or not local governments can access the bond market depends on the bond-rating agencies (Hackworth, 2007).

Hackworth (2007) specifies two types of municipal bonds: general obligation bonds and revenue bonds. And many infrastructure fields such as airport authorities and water treatment service areas that generate revenue streams are increasingly becoming bond-issuing districts, especially when the operating costs of the systems are so high that even city halls cannot afford it. For example, the New York and New Jersey Port Authority is one of the most powerful port authorities in the U.S. because

of its bond-issuing power. Its financial independence has enabled the agency to carry out large-scale redevelopment projects in the bi-state region (Doig, 2001). The general obligation bonds require a citizens' referendum, but revenue bonds do not. Additionally, the bonds' rating depends on municipalities' financial history, administrative structure, and economic outlook, and the ultimate rating is based on whether a municipality could repay the debt and their economic health (Hackworth, 2007). The ratings of the bonds have a significant impact on the cost of cities' loans and the overall scope of local governments by enacting credit reports.

Generally speaking, Hackworth (2007) argues that bond-rating agencies have three significant influences on local governance. First, the federal government is no longer responsible for collective assumptions such as public housing and social facilities, so the cities are increasingly facing federal cutbacks. Hence, they become more dependent on capital markets. According to Weber (2002), the 1970s federal cutbacks triggered the reformation of real-estate finance and its governance. Fordism and Keynesianism were destroyed and displaced by neoliberalism, which has changed the source of capital and Keynesian priorities for using the capital (Weber, 2002). As mentioned earlier, since the 1980s neoliberal reform in China, the Chinese central government no longer grants appropriation to Chinese cities, so the municipal governments have to cut deals with the private developers to utilize their own local resources.

Second, due to the turn to financialization, powerful financial institutions generate a substantial amount of wealth. Therefore, institutions such as pension funds,

money market funds, and insurance firms become essential components of the securities industry. Third, more municipal lending is being made through volatile direct lending instead of traditional banking institutions. Households and funds, therefore, are increasingly relying on professional assessment from bond-rating agencies because the banking industry's intermediary functions have disappeared (Hackworth, 2007). Since bond-rating agencies determine the financial sources for cities' development, cities are more relying on the assessment of rating agencies and the municipal debt to pay for the social services and capital infrastructure. Thus, the financial void after the federal cutbacks has rightly been filled by the increase of municipal debt. Maintaining collective consumption, which is the Keynesian economic intervention, has formally been replaced by unregulated neoliberal economic growth (Hackworth, 2007). Nevertheless, this entrepreneurial urban governance enhances the city's exposure to the capital market. The three major municipal bond agencies determine the municipal bond market, and city managers have to yield to the rating agencies (Hackworth, 2007).

The federal cutback forced local government to act businesslike and cooperate with businesses to foster tax generators that cover social service costs, which means governments are propelling "public debt for private gain" (Hackworth, 2007, p. 26). Namely, the municipalities raised debt to issue municipal bonds for private sectors to provide tax-exempt financing. As Sagalyn (1990) states, the public authorities are increasingly drawing upon their own resources that include city funds, which are constituted by tax-exempt borrowing.

Hackworth (2007) continues to explain that, initially, local lending institutions (mainly commercial banks) were the primary financial providers for redevelopment projects because they are locally based, and they share the city's fate. They will benefit from a healthy macroeconomic condition. After a while, however, the banks became increasingly unwilling amid the financial crisis to provide financial support for cities because of events like budgetary debacles. So, the bank money became increasingly expensive, and cities could no longer borrow directly from commercial banks. They have had to turn to institutional investors and individual creditors, and this process is called disintermediation (Hackworth, 2007).

All in all, due to the monopoly of bond-rating agencies as information providers and the disintermediation of commercial banks, individual and institutional investors are becoming the primary purchasers of municipal bonds (Hackworth, 2007). This conforms to what Vormann (2018) has argued: entrepreneurial urban governance is a response to the collapse of the Keynesian-Fordist regulatory landscape.

One of the results of debt market disintermediation, according to Hackworth (2007), is the monopoly of only a few rating agencies as information providers. This is because when disintermediation happens, commercial banks no longer provide credit assessments, leaving an information vacuum. Investors have to rely on the judgment of bond-rating agencies. The role of commercial banks was assessing the financial situation of the cities, but after disintermediation, this work of research was undertaken by the bond-rating agencies. Bond-rating agencies became the connectors between the capital market, cities, and promoters of the neoliberal standard

(Hackworth, 2007). Hackworth (2007) uses the case study of New York, Philadelphia, and Detroit to unravel how bond-rating agencies promote neoliberal governance and entrepreneurialism and eliminate the Keynesian welfare state.

In summary, neoliberal governance is established by non-local force and propelled by the force of financial capital instead of the shift in local politics. Bond-rating agencies are the principal promoters of the transition, and they connect local and capital markets. Financial disintermediation and federal devolution (cutbacks) remove the buffer—the commercial banks—between local state and financial capital, reinforcing neoliberal local governance. This is an economical, entrepreneurial, market-oriented method of governance, and rating agencies play an essential role in facilitating the process.

Furthermore, the bond-rating agencies eventually become more capable of influencing a region's economic and political fate. Amid the neoliberal transition of the above three cities, public jobs decreased by a lot, and there was more tax abasement for the three cities as they became entrepreneurial. A growing global consensus is that municipal governments should be economically efficient, business-friendly, and anti-deficit (Hackworth, 2007). The application of Hackworth's theory in the Chinese case is introduced in the fifth chapter of the thesis.

The story in Qingdao (in the fourth chapter, on neoliberal uniqueness, you can find the development of the real estate industry in Qingdao) resonates with Hackworth's (2007) description. The marketization and visible booming of the Chinese real estate market after the 1980s neoliberal reform contributed to rising

redevelopment projects in port cities. Hackworth starts with the statement that decentralization of state power is one of neoliberalism's expressions because decentralization could hollow out the national state and dismantle the Keynesian welfare state. The decentralization process also happened in the Qingdao Olympic Sailing Centre case. The local development coalition absorbed the central government's devolved fiscal and administrative power to conduct local redevelopment projects. Nonetheless, the globalization of state power and the localization of regulatory power coexist. Therefore, the nation state's previous governing power has been shifted upward to the global level, meanwhile being hollowed-out by the local governance.

Hackworth (2007) specifies that, as a subdivision of the U.S. welfare state, public housing is very appropriate for observing the neoliberal process because (1) public housing has never received too much political support and is very malleable ahead of an ideological shift. Thus the impact of ideological movements will be much easier to observe. (2) The American public housing system was created by the Department of Housing and Urban Development (which was removed amid neoliberal destruction), and the local public housing authorities (PHAs) have great autonomy (Hackworth, 2007). Therefore, institutional architecture and the public housing system's inherent nature determine that it is the best vehicle for understanding actually existing neoliberalism (Hackworth, 2007). Nevertheless, the Chinese public housing sector does not absorb the role of observing the neoliberal process, so this paragraph is just a background introduction for your reference.



Under the circumstance that neoliberalism gains momentum and Keynesian nation-state politics gathers dust, the regulatory powers shift upward and downward from the nation-state to global governance and subnational governance. The subnational governance power is amplified because it is less constrained by the Keynesian nation-state. Furthermore, the global institutions are much stronger. All in all, localities and global governance become more significant stakeholders amid the neoliberal nation-state restructuring (Hackworth, 2007). Thus the PHAs gain more power as local institutions, though their power is qualified and constrained by global institutions such as rating agencies and multinational banks (Hackworth, 2007).

What is more, the neoliberal process of public housing promotes entrepreneurial and private governance, and the neoliberal trend establishes the principle that the market is the best and most efficient mechanism for allocating housing resources. In the same vein, Logan and Molotch (1987) argue that it is the same as neoliberal theory; the growth machine activists believe that the market is the only legitimate mechanism for deciding what to produce. The other two established principles of neoliberal public housing policies are to encourage homeownership and to promote working/entrepreneurial ethics. The most prominent example is HOPE VI, which has characteristics of both neoliberal roll-back destruction and roll-out creation (Hackworth, 2007). Generally speaking, like many other Keynesian welfare state artifacts, public housing is fundamentally privatized and neoliberalized in the U.S. And those regulatory functions previously on the national level have both shifted upward to the larger institutions and economies and downward to the local level

institutions such as PHAs. Even though PHAs have authorized power, they still need to conform to the global notions of profit from international banks and rating agencies because local institutions' power is constrained by global governance (Hackworth, 2007).

Hackworth's goal in the following chapter is to connect entrepreneurial urban governance and regime theory. Hackworth (2007) states that cities have been transferred from managerialism under Keynesianism to entrepreneurialism under neoliberalism. Cities no longer impose regulatory barriers to capital; rather, they are expected to lower the barriers. Hackworth (2007) aims to connect concepts of the urban regime and broader policy changes and examine regime theory by studying the local effects of a coalition. He defines an urban regime as a way for public and private interests to function together to carry out governing decisions, and its goal is to initiate development and retard disinvestment (Hackworth, 2007). Stone (1989) defines an urban regime as city hall and downtown business elites operating together to formulate a governing coalition, which is the informal partnership complementing the formal government authority. In the Qingdao Olympic Sailing Centre case, the Qingdao municipal government and private developers formulated a similar partnership, although their relationship has special characteristics of the Chinese government enterprise relationship. Moreover, studying regime theory helps understand neoliberal urban governance. Hackworth (2007) explains regime theory's historical formation by comparing pluralism, elite theory, and regime analysis. The pluralist emphasizes that power at the local level is made up of political coalitions

rather than individual persons or individual organizations. However, pluralist theory lacks the discourse of economics and the financial power in coalition participants.

Elite theorists have always criticized pluralists: that pluralist theory does not contain any discourse of economics, because, under the existing economic power structure, the business elites have enormous power. However, pluralist theory does not reflect the power of business elites. This is similar to Stone's (1989) argument that urban regimes are constituted by social groups accessible to institutional resources so that the governing coalition can make efficient governing decisions. Private interests that possess the institutional resources therefore must be part of a stable governing coalition (Stone, 1989). Nevertheless, the situation in Qingdao is slightly different. Although the private sector in Qingdao also possesses a great number of institutional resources, the municipal government has the final say amid redevelopment initiatives. To make up for the above two theories' defects and better understand local politics, regime theories emphasize the importance of building coalition, leadership, and economic and institutional power. Regime analysis recognizes that any group cannot impose social control by themselves, meanwhile specifying that the lack of monolithic control is standard and universal. Nonetheless, regime theory circumvents economic determinism, believing that power is complicated and is not only about access to financial and other tangible resources (Hackworth, 2007). Stone's (1989) theory regarding the key factors propelling urban regime resonates with Hackworth's (2007) argument: (1) a broad scope so that different types of institutional resources can be mobilized, and (2) the cooperation between public sectors and business interests. In

addition, the two rationales for how governing coalitions are formed are (1) popular control of governments and (2) private ownership of enterprises (Stone, 1989).

However, the situation in Qingdao is different as the residents have no right to elect a city mayor and government officials, so this point does not apply to the Chinese context. Hackworth (2007) further explains three significant eras of regime formation: directive, concessionary, and conserving against the North American context, which could be referred to as a historical benchmark for regime formation in China. During the directive period, federal urban politics supported slum clearance to facilitate urban redevelopment projects. There were large-scale demolitions to make way for disruptive projects such as freeways and bridge constructions. The concessionary period is defined by the mild redistributive programs such as Great Society, War on Poverty, and civil rights movements. The concession period's emphasis is community development but not community replacement. The development coalition therefore is made up of regional programs and institutions. However, due to their redistributive nature, these development programs cannot be sustained if they do not conduct profitable redevelopment projects. Hence, the untenable situation ushered in the era in which the programs and institutions of the concession period had to conduct profitable real estate development projects. After 1973, the regime formation entered the third age: the conserving period. This period's focus is property tax generation and no more social-service provision burden. The development coalition therefore becomes more entrepreneurial under the context of economic restructuring. And the economic statecraft becomes very different from the Keynesian era. Namely, it represents how

neoliberal city governance differentiates itself from the Keynesian nation-state. Hence, cities start doing business and becoming more like private corporations (Hackworth, 2007). Under neoliberalism, the entrepreneurial coalition has four primary characteristics: (1) it starts to increase outlays of the costs of technology and labour training, (2) industrial upgrading occurs, the service industry becomes more important, (3) tax incentives (such as tax breaks) are used to attract multinational corporations, and (4) redistribution policies are terminated (Hackworth, 2007).

Additionally, capital elites cannot undertake the devolved power from federal level administration by themselves in fields such as zoning, policing, and utility. Therefore, it requires the cooperation of an organized relationship between the local state and capital to undertake the federal state's devolved power (Hackworth, 2007). The historical context of the Chinese case is not complex. The only important turning point of the times was Deng's 1980s reform when neoliberal devolution gave the governing coalition more financial autonomy, and the central government no longer invested heavily in the local projects. Thus, the 1980s Chinese neoliberal reform results in the cooperation between the municipal government and the local private sector to formulate a governing coalition that absorbs the central government's devolved fiscal power. I evaluate the Qingdao Olympic Sailing Centre case in the following chapters.

Hackworth (2007) then examines the public and private partnership (PPP) case of expansion and exclusion. He states that capital and local state work together to undertake the devolved power from the federal government, and the local government

uses the land-use zoning power to protect the interests of real estate elites. The local development regime comprises real estate elites, and city hall is the organizational form of PPP; together they undertake the neoliberal federal power devolution. Stone (1989) also indicates that it is difficult to build effective governance if city hall does not have a close partnership with the business elites. The decisive market factor (private sector's slack and influential resource power) also plays an essential role in the Qingdao Olympic Sailing Centre case. The coalition formed by municipal government and private developers effectively carried out governing decisions because of close connections between the public authority and private sectors. Furthermore, according to Peck and Tickell (2002), many social policies or regulatory powers are shifted downward to the local governing coalition formed by the municipal government and local private developers.

Additionally, Hackworth (2007) evaluates the contradictory and dialectic relationship between exclusion and expansion. He explains that the local state can use land-use zoning power to protect real estate elites' interests by differentiating the commercial space. As Heeg (2011) stated earlier, urban planning includes interest calculation, the cooperation with private actors, the degree of land-use intensification, the relaxation of planning restrictions, the enhancing of returns for private actors, the role of the local state as incentive providers, and the function of urban politics to activate and mobilize private actors and capital. Therefore, this could be seen as differentiating the condition (excluding) to facilitate real estate elites' interests (expanding). The case of regime formation in New Brunswick, NJ, exemplifies how

the local development coalition uses land-use zoning power to differentiate CBD to facilitate economic growth through excluding low-income residents (by demolishing the public housing nearby CBD). Consequently, the low-income minority had to relocate to expand the interests of real estate elites (Hackworth, 2007). Thus, the capital's need to exclude obstacles so as to facilitate expansion has been done through the urban regime mechanism made up of capital and localities. Hence, the barriers to real estate investment are eliminated. All in all, the regime's acquisition power has been amplified since the devolution of the federal state, and the regime thus gains more power (Hackworth, 2007). This is also true in the Qingdao Olympic Sailing Centre's redevelopment initiative. And the local development coalition formed by city hall and local private developers acquires more development power as the neoliberal reform gains momentum. There is also demand for amplifying the local government's power because the local growth coalition does not regulate the "adverse distributional impact," and it needs to be covered by the local government concession (Cox, 1999, p. 27).

Hackworth (2007) further illustrates that the relationship between urban form and the neoliberal turn can only be unfolded by small-scale processes such as gentrification and inner-city redevelopment to unveil how the built environment is connected to neoliberalism. He uses gentrification to illuminate neoliberal urbanism, which shows that gentrification is the process of private development replacing Keynesian egalitarianism in the real estate market (Hackworth, 2007). He also illustrates that gentrification is a neoliberalized space of exclusion that abandons

attempts to ameliorate the inequality of capitalism (Hackworth, 2007). As Vormann (2018) states, the post-industrial waterfront reflects the concentration of wealth. Still, the adjacent port communities suffered from socio-economic deprivation and pollution generated by the logistics industry. Hackworth (2007) explains that neoliberal gentrification is more corporate-oriented and more state-facilitated, and it has tremendously changed the inner city and economics. And these changes have connected neoliberalism and local real estate investment. This shows how neoliberalism substitutes the Keynesian managerialism landscape. The urban commercial cores and CBDs have become the “billboard” of exhibiting neoliberal governance through constructing great mega projects (Hackworth, 2007, p. 171). The redevelopment of the Qingdao Olympic Sailing Centre project exemplifies using the neoliberal flagship project to obtain a favourable position in the interlocal competition. According to Schubert (2011), flagship projects also exert an impact on regional economic development.

#### 2.1.7. Chinese Actually Existing Neoliberalism

Against the Chinese post-1980s neoliberal reform context, socialism with Chinese characteristics best annotates actually existing neoliberalism. Though the rationales of fundamentalist socialism with Chinese characteristics are still marketization, deregulation, and competition, in second- and third-tier Chinese cities, state-intervention and close ties between city halls and business interests are still the fundamental forces driving economic growth in Chinese cities. This is similar to the



state-intervention and rebuilding stressed by actually existing neoliberalism in the London Docklands project's redevelopment activities.

In the article "Cities and the Geographies of 'Actually Existing Neoliberalism,'" Brenner and Theodore (2002) state that actually existing neoliberalism represents the destructive character of the previous regulatory landscape and the contradictory nature of neoliberal ideology itself, and also that neoliberal policies misrepresent the real effect of how neoliberal ideologies should be (Brenner & Theodore, 2002). I agree with Brenner and Theodore's (2002) viewpoint. My study presents that the Chinese actually existing neoliberalism almost skips the neoliberal roll-back destruction part but directly leaps forward to the neoliberal roll-out creation of active state-building. In a word, the roll-out neoliberal state intervention dominates the Chinese actually existing neoliberalism. And my study contributes to the analysis of the Chinese actually existing neoliberalism (active state-interventionist) by specifically introducing the neoliberal flanking system established by the local state.

For example, although the redevelopment projects in London Docklands were initiated under the slogan of neoliberalism, they actually have the features of state "interventionist agenda" (Brownill, 2011, p. 129). Brenner and Theodore (2002) introduce five rationales to decipher macroeconomic structures and the evolutionary trajectories of capitalism, because neoliberal ideology sometimes cannot truly reflect the effects that neoliberal policies should have under this macroeconomic framework.

These are the five rationales that advocate the need for local development regimes to manage the complex process of urban development:

(1) coping with the problems of capitalist regulation, (2) coping with the unstable historical geographies of capitalism, (3) complying with the uneven geographical development, (4) hewing to the regulation of uneven geographical development, and (5) adhering to the evolving geographies of state regulation (Brenner & Theodore, 2002).

Brenner and Theodore (2002) believe the three linchpins for our interpretation of actually existing neoliberalism are path dependence, the underpinning of the inherited Keynesian-Fordist regulatory landscape, and neoliberal capitalist market-oriented restructuring (Brenner & Theodore, 2002). To be specific, path dependence refers to the ideological vestiges that actually existing neoliberalism inherits from Fordism. Due to Fordism's crisis during the 1970s, Fordist mass production and mass consumption cannot sustain themselves because of intensified international competition, deregulation, and dismantling of the Bretton Woods system. Capitalist restructuring triggers the rearrangement of state regulation's territorial organization, which indicates the theoretical interaction between the emerging neoliberal modernizing institutional infrastructure and the conservative Keynesian-Fordist thinking (Brenner & Theodore, 2002). Moreover, the neoliberal restructuring strategies always lead to interactions with pre-existing uses of space, institutional configuration, and sociopolitical power. Thus, the neoliberal projects of capitalist restructuring are highly influenced by prior regulatory arrangements, institutional practice, and political compromise (Brenner & Theodore, 2002, p. 14). This can reflect the characteristics of path dependence. The Dong'ao Corporation Company's

establishment (the autonomous redevelopment agency) follows the previous extant government institute. The reason waterfront redevelopment activities are dynamic in Qingdao is the close connection between the development coalition and the local public authority. Therefore, to a certain degree, we can also attribute the booming of redevelopment initiatives in Qingdao (a second-tier Chinese city) to path dependence.

Brenner and Theodore (2002) evaluate the concept of creative destruction, and describe creative destruction as “geographically uneven, socially regressive, politically volatile trajectories of institutional/spatial change” (Brenner & Theodore, 2002, p. 2). Meanwhile, creative destruction can also be defined as “destruction of extant institutional arrangements and political compromises through market-oriented economic growth, commodification and the rule of capital” (Brenner & Theodore, 2002, p. 15). Generally speaking, the authors (2002) believe that creative destruction is a process that generates uneven development and social polarization. Hackworth (2007) identifies the neoliberal destruction and neoliberal creation as the dismantling of the Keynesian regulatory landscape and state institutions’ rebuilding. Still, it is also an open-ended capitalist restructuring that causes conflicts, crises, and “governance failures” (Brenner & Theodore, 2002, p. 19). The conditions under which creative destruction happens are when “newly emergent projected space” interacts with an extant regulatory landscape, which results in a new and unstable political-economic space (Brenner & Theodore, 2002, p. 19).

Cities are essential to actually existing neoliberalism because central cities are usually where creative destruction happens particularly intensely. A central city’s

environment is characterized by monetary contradictions and financial capital speculation (Brenner & Theodore, 2002). Moreover, port cities are the interface where reconnection of the city and the hinterland occurs. So it is in Qingdao, which has always served as a gateway port for the Yellow River Basin, and where there are many economic uncertainties and social problems amid the city's restructuring. Neoliberal ideologies thus "interiorize" urban policy regimes (Brenner & Theodore, 2002, p. 20). Central cities become the arena of neoliberal experimentation and the billboards of neoliberal policies (Brenner & Theodore, 2002). What is more, to facilitate a stable entrepreneurial environment and enhance the competitive private-sector advantage in the economy, there is neoliberal roll-out state institutional creation involved amid the creative destruction to ensure economic actors are not affected by the market, state, and governance failures.

#### 2.1.8. Roll-back Destruction and Roll-out Entrepreneurialism

Due to the huge impact of capital driven by the neoliberal doctrine, the government should reactivate its role as a redistributor to establish the supportive extra-local framework. The aim is to prevent the powerful shock of neoliberalism for the impoverished populations. Capital and government currently cooperate, so municipal governments and real estate elites are the two most important components of the local governing coalition. I believe that the redistributive role played by city halls is far from enough. In contrast, the Chinese municipalities promote urban entrepreneurialism, manifested by interurban competitions, and their guiding ideologies are also entrepreneurial urban governance. To illustrate, regional

competition has been one of the most significant roll-out entrepreneurialism features (Su & Tao, 2017). The interurban competition among different localities has intensified local government's pressure to pursue revenue generation (Su & Tao, 2017). And this has induced local governments to compete for property-led economic developments to reap the profits from land redevelopment projects. Deng's 1992 southern tour officially made interurban competition the mechanism for resource allocation (Su & Tao, 2017). The interurban competition also indirectly established this model of local developmentalism. Local governments competed with one other to build their own state-owned enterprises and Township and Village Enterprises to generate incubators of tax revenues (Su & Tao, 2017). And the local governments transformed themselves from "asset owners" to "tax collectors." In summary, municipal governments across the country compete to facilitate "their own children"—the local enterprises (Su & Tao, 2017).

In *Neoliberalizing Space*, Peck and Tickell (2002) argue that roll-out neoliberalism also refers to the "neoliberalized economic management, authoritarian state form, and proactive policies" (p. 37). The process of shifting from roll-back destruction neoliberalism to roll-out institutional creation exemplifies the transformation to rebuilding state-interventionist, paternalist, and punitive government disciplines (Peck & Tickell, 2002). For instance, the redevelopment projects in London Docklands exemplify the neoliberal state "interventionist agenda" (Brownill, 2011, p. 129). As mentioned earlier, Brownill (2011) also defines roll-back and roll-out neoliberalism.

Peck and Tickell (2002) examine the dark side of fundamentalist neoliberalism: a deteriorating macroeconomic cycle; short-termism; the sprawl of capital; the deepening of social, economic, and geographical inequality; the destruction of social production; and limitations to market liberalism and socially progressive substitutions.

Hackworth (2007) believes that neoliberalism should be considered an ideological rejection of Keynesianism, and many neoliberal regulatory powers such as land-use zoning, social service, public housing, and the redistributive impulse are undermined. Peck and Tickell (2002) explain that neoliberalism presents two significant shortcomings due to the state's withdrawal. First of all, neoliberal social regulation cannot conduct sustainable reproduction. Second, the neoliberal assault focuses too much on anticompetitive institutions instead of constructing alternative regulatory institutions.

Additionally, neoliberal advocates introduce the competitive mechanism for interlocal relations. Through interlocal competitive relationships, the different regions are disciplined by the forces of marketized neoliberal spatial relationships (Peck & Tickell, 2002). Cox (1999) elaborates on the definition of territorial ideologies facilitating the growth coalition's unity. Cox (1999) believes that the unity based on local communities' territory and ideologies is an appeal to local identity that could be used amid interlocal competition by uniting people from different backgrounds with other territorial interests to thwart other territorial oppositions. The Qingdao Olympic Sailing Centre redevelopment project is also seen as a flagship project under neoliberalism to unite residents' regional identity.

Nevertheless, Peck and Tickell (2002) state that it is challenging for neoliberal, competitive relations to take “bottom-up” political actions without a proper redistributive/supportive extra-local framework. This is because progressive projects need an extra-local framework to respond to the hostile neoliberal environment in order to avoid the neoliberalized regional relations and the “regulatory dumping,” which is caused by the overwhelming political power owned by neoliberal international organizations (Peck & Tickell, 2002, p. 39).

Furthermore, Peck and Tickell (2002) explain the development history of neoliberalism, and this theory emerged from an intellectual to a state regulatory project. From the 1970s to the 1990s, neoliberalism transformed itself from a roll-back neoliberal destruction ideology to a neoliberal roll-out form of social intervention and amelioration (Peck & Tickell, 2002). This corresponds with the description mentioned earlier of neoliberal roll-back destruction and roll-out neoliberal creation (Brownill, 2011; Peck & Tickell, 2002). Since the 1990s, neoliberalism has transformed beyond a deregulation ideology and has become a new social and disciplinary policy. It is also about a roll-out neoliberal creation of state institutions, namely, a new form of state-building (Peck & Tickell, 2002).

Since the 1990s, neoliberalism has increasingly transformed from an academic ideology to a state regulatory project, and it is more and more targeting its own market, state, and governance failures. People found that in the deregulating era, the market itself was not able to function as an economic regulating force, so other institutional regulating power beside the market forces is needed. Neoliberalism

therefore becomes a disciplinary force that introduces new market forms of governance and regulation (Peck & Tickell, 2002). Moreover, neoliberalism also goes through the change of the scalar constitution. Many social policies or regulatory powers are shifted downward to the local level, while others shift upward to international organizations (Peck & Tickell, 2002). The local governing coalition's amplified power exemplifies the devolved fiscal power received by the local governing coalition formed by the municipal government and private developers (Hackworth, 2007). Third, there was a trend of financialization in the field of economic policy and social policy (Peck & Tickell, 2002). This is corroborated by the financial deals cut by the Qingdao municipal governments and the local private sectors. Due to the 1980s neoliberal reform, the Chinese municipal governments are becoming more entrepreneurial and businesslike to cooperate with local private sectors to facilitate the financing of redevelopment projects. Deal-making strategies have been highly developed and widely used. The new financialization approach has developed public and private partnerships into a new level from grantsmanship to deal-making. San Diego's downtown festival mall (Horton Plaza) is an excellent example (Sagalyn, 1990).

Beyond that, in the Space of Neoliberalism, neoliberalism becomes an "extra-local regime of rules and routines, pressures and penalties" (Peck & Tickell, 2002, p. 45). Cities thus become supporters of urban entrepreneurialism. And interurban competition shapes urban entrepreneurialism (Peck & Tickell, 2002). Cities compete with each other under the logic of interurban competition, and this



process is underpinned by urban transformation and revitalization. Moreover, the process is driven by a lack of regional substitution (Peck & Tickell, 2002).

All in all, interurban competition has a significant impact on reflexive and entrepreneurial urban governance; as mentioned earlier, interurban competition shapes entrepreneurial governance. Again, Cox (1999) argues that the territorial ideology could be used to unite different interest groups in the city and create a sense of identity within cities' boundaries. Seven expressions are showing the domination of neoliberalism, and they exemplify what entrepreneurial city governance manifests: (1) in entrepreneurial city governance, growth, job, and investment always rank as top priorities of neoliberalism, (2) the market competitiveness, (3) neoliberalism should focus not only on small government, privatization, and deregulation but also on efficient resource allocation and modified municipal lending policies. Moreover, neoliberalism should also undermine other redistributive priorities such as social redistribution, economic rights, or public investment, (4) neoliberalism has a positive stance on local capital interests and state-building but negatively affects social welfare and infrastructure, (5) some neoliberalism characteristics include capital subsidies, regional boosterism, social intervention, and revitalization of central cities, (6) meanwhile, neoliberal regimes use punitive measures to discipline disobedient cities, and (7) the results of contradictory policies (such as welfare reform and labour-market polarization) are "punitive institution building" and authoritarian state (Peck & Tickell, 2002, p. 48). Neoliberalization, moreover, is a long-term gradual process of interurban competition and intraurban development (Peck & Tickell, 2002). So the

state's withdrawal did not immediately liberate the market. The rise of neoliberalism is a series of political arrangements, which means neoliberalism is a result of the market's political construction, and it is manifested by a competitive tenet and privatization (Peck & Tickell, 2002). The neoliberal entrepreneurial regime has a significant national/political/institutional context that exemplifies a macroeconomic transforming process (Peck & Tickell, 2002).

Furthermore, entrepreneurial governance represents the interlocal competition rules and the restructuring and rearrangement of extra-local resources, which reflect the profound realignment of macroeconomic politics (Peck & Tickell, 2002). Only when there are enough interurban competitions can urban governance reflect the objective rule of capital accumulation. The concrete neoliberal city governance projects include (1) political rearrangement, (2) state-intervention, and (3) neoliberal roll-out institutional building (Peck & Tickell, 2002).

In summary, in terms of policy development, neoliberalism is reflected in the fields of financial stability, management of urban low-income residents, labour market regulation, the substitution of redistributive policies by workfare, and the establishment of ethics for working and self-reliance (Peck & Tickell, 2002).

In the article "Liberalism, Neoliberalism, and Urban Governance: A State-Theoretical Perspective," Jessop (2002) evaluates the three forms of neoliberalism: "policy adjustment, regime shift, and radical system transformation" (p. 111).

Jessop (2002) goes on to analyze the four reasons that Keynesian welfare national state theories (KWNS) are different from neoliberal theories (Schumpeterian workfare post-national regime): (1) SWPR emphasizes technological improvement and market competition, (2) SWPR gets people from welfare to work, (3) SWPR renders different levels of government with new powers, and (4) SWPR increasingly encourages different types of partnerships and networks rather than merely relying on market forces, corporatist arrangement, or top-down planning (Jessop, 2002).

Jessop (2002) identifies three types of transformation from the Keynesian welfare nation state to SWPR: neocorporatism, neostatism, and neocommunitarianism. Specifically, neoliberalism refers to the promotion of competition, deregulation, privatization of social production and collective rights, internationalization, and austerity policies (Jessop, 2002). Neostatism refers to regulated competition, guiding national strategies, auditing private industries' performance, the partnership between public and private sectors under the control of the central government, and the central government's protection of important industries (Jessop, 2002). Neocorporatism refers to consideration to both competition and cooperation, "decentralized regulated self-regulation," more public and private stakeholders, more applications of public and private partnerships, protection of critical industries, and levying high taxes to invest social productions (Jessop, 2002, p. 114). Neocommunitarianism refers to the termination of market competition, expanding the role of public sectors in the economy, rebalancing of international trade, the promotion of social learning, and allocating tax revenues to enhance people's living standards (Jessop, 2002). The past

30 years of development in Chinese cities have exemplified the shift from Keynesian welfare nation-state to neostatism. In some coastal open port cities where the global economy's integration is deepened, the KWNS has gradually moved into neostatism or neocorporatism. In the case of the Olympic Sailing Centre project, I argue that the redevelopment regime is close to the interface between neostatism and neocorporatism. This point is illustrated in detail in the 8<sup>th</sup> Result Analysis section.

In summary, the entrepreneurial urban governance pursued by Chinese municipal governments helps local authorities to reap benefits from the speculative land investments and extract value from the investments. Meanwhile, the central government reduces the outlay and withdrawal from direct investment to reshape fiscal austerity.

In the article "Extracting Value from the City: Neoliberalism and Urban Redevelopment," Weber (2002) states that obsolescence renders the decrease of exchange value, and it is the reason for conducting creative destruction. Moreover, it exemplifies spatialized capital accumulation (Weber, 2002). States have developed many mechanisms, such as financial deregulation, the commodification of debt, and the removal of credit shelter for the real estate industry, to make the built environment more responsive to real estate investments. Thus, municipalities reduce land development costs, while the capital elites do not have to do so (Weber, 2002).

Real estate investments, further, are illiquid, and their turnover period is very long. The value of real estate is easily affected by immediate property values. These real estate investment characteristics have made the real estate industry very sensitive

to depreciation (Weber, 2002). Real estate capital elites seek profit to destruct dilapidated buildings' value and collect profits from new development (Weber, 2002).

In addition to that, the spatial-temporal boundaries restrict the range of decaying, which means that once one sector of the city experiences declining, the geographical boundaries can ensure that the rest of the city is not infected by the blighting “disease” (Weber, 2002).

Weber (2002) also indicates that the states' two responsibilities are ensuring the proper capital accumulation process and the legitimization to manage external political volatility. And the states can render themselves to become legitimate regulatory regimes through the provision of expertise on law and science (Weber, 2002).

The 1970s federal cutbacks triggered the reformation of real-estate finance and its governance, accompanied by the concomitant destruction of Fordism and Keynesianism. Both were displaced by neoliberalism, which has changed the source of capital and priorities for using capital since the Keynesian era (Weber, 2002). Accordingly, Hackworth (2007) illuminates that the neoliberal federal government is no longer responsible for collective assumptions such as public housing and social facilities, so the cities are increasingly facing federal cutbacks.

Generally speaking, neoliberalism imposes the rule of “interlocal competition” (Peck & Tickell, 2002, p. 40). As a social regulation mechanism, neoliberalism establishes the marketized interlocal competition rules and the indicators of evaluating the neoliberal artifacts (Peck & Tickell, 2002).

Weber (2002) goes over the history of urban renewal projects. She explains how blight becomes the new standard of creative destruction. According to Van Vliet (1998), the Housing Act of 1949 was the legislative mandate to eliminate slums. The enactment was for local redevelopment authorities to purchase and clear slums. And Weber (2002) specifies that redevelopment legislation focuses on three characteristics: (1) the decaying of the buildings' use-value, (2) the construction of new affordable housing to displace the dilapidated buildings, and (3) managerial state intervention to protect public health and welfare (Weber, 2002). Weber (2002) also examines how a large amount of federal money flowed into the construction and demolition of decaying communities during the mega-projects era. The consensus has been that eradicating the urban blighting area is the only way to achieve revitalization. The Keynesian municipal government has the role of social redistribution to facilitate the balanced development of different regions. The local level of urban growth coalition undertakes the devolved power and resources from the national state. Thus, local communities use federal financial stimulus such as CDBG to propel more efficient urban renewal projects (Weber, 2002).

After the federal cutbacks, local development coalitions were increasingly relying on their own resources, which leads to the phenomenon of glocalization (Hackworth, 2007). Moreover, the trades in real estate sectors are increasingly deterritorialized and dematerialized, and securitization connects the local real estate market and national capital markets. Thus, urban redevelopment projects started to get ample funding from the credit market (Weber, 2002). Institutional investors were becoming more

bank-like to conduct banking activities, and they eventually replaced the roles of banks in the credit market. The deregulation of the financial sector and the localization of urban renewal's financial power have reinforced the importance of locally oriented knowledge (Weber, 2002). Hence, the municipalities became more entrepreneurial, and they developed many mechanisms to extract value from redevelopment projects in the urban landscape, meanwhile eliminating obsolescence (Weber, 2002). The Qingdao Olympic Sailing Centre's development story corresponds with Weber's argument: the common interests of the three stakeholders (the municipal government, private developer, and semi-autonomous agency) are to extract value from property-led economic development and sustain the "land finance," which is the most important common interest between the stakeholders of the growth coalitions. Land finance refers to the concept of local government acquiring financial revenue through land development.

Last but not least, the municipalities develop a series of mechanisms to promote entrepreneurial urban interventions such as tax increment financing (TIF). Sagalyn (1990) illustrates that off-budget financial instruments (deal-making via PPP) and tax increment financing were invented and developed during the era of "do no harm." And these instruments of entrepreneurial urban governance have constantly revamped the built environment of urban space (Weber, 2002). Weber additionally analyzes the details of TIF use and the impacts of this financial development tool (Weber, 2002).

All in all, entrepreneurial cities have increasingly differed from welfarism, because urban development coalitions are relying more and more on local resources to

“pay for themselves” (Weber, 2002, p. 190). The downward shift of states’ financial power has made municipalities tap into local property tax revenues to rely on the private real estate market. According to Schubert (2011), since the neoliberal devolution of financial power, the municipal government had to rely on their own resources via cutting deals with the developers to tap into local financial support. The neoliberal redevelopment policies are thus used by the states to discipline speculative and property investment activities. Moreover, financial instruments such as TIF intensify how local states extract value from urban properties. Hence, obsolete buildings make the best targets for demolition and creating empty sites for distant real estate developments (Weber, 2002).

Neoliberalism has also caused institutional reform from the New York and New Jersey Port Authority’s organizational form. Due to the loss of manufacturing jobs in the older cities since the 1970s, the bi-state agency’s role was expanded to focus on strengthening the region’s manufacturing industries and improving communication within the region. The port authority also built a new office building in Newark’s older town. The ultimate goal of these efforts was to stimulate the region’s economic vitality (Doig, 2001). During the last quarter of the past century, when neoliberalism gained momentum, the New York and New Jersey state governments repealed the 1962 bond covenant so that the port authority’s rail activities were no longer limited by the ten percent rule to meet the demands for bond-revenue raising (Doig, 2001). This shows that the American regulatory bodies (such as port authorities) are similar to the Chinese redevelopment authorities’ financing mechanism.



### 2.1.9. Neoliberal Socialization

In the article “Neoliberalism and Socialization in Compensatory City: Opposites, Complements, and Instabilities,” Gough (2002) states that a new form of urban socialization absorbs neoliberalism’s characteristics. These new forms of urban socialization can better serve the purpose of neoliberalism. According to Gough (2002), neoliberalism provides solutions for the tension between socialization and the market. Neoliberalism is intended to free private property from collective rights and the obligation to remove the social and political limitation. Moreover, actually existing neoliberalism is accompanied by the urban socialization of production and reproduction (Gough, 2002). In a capitalist society, socialization can enhance the living standard of the working-class and generate job opportunities. So although socialization contradicts neoliberalism ostensibly, it can promote neoliberalism by offering more options and freedom for capital (Gough, 2002).

Gough (2002) considers the socialization of capitalism a neoliberal project, since the technological revolution triggers the demand for socialization. He believes that disadvantaged groups in society benefit from socialization, and even though the new form of socialization is beneficial for capital accumulation, the disadvantaged groups will ultimately undermine the capital command (Gough, 2002). Civil rights movements since the 1960s have shaken the rule of the capitalist elite, who use the ideology of neoliberalism as a response to defuse the threat (Gough, 2002). What is more, the neoliberal ideology was mainly targeted at two problems: (1) the rate of profit was too low, and (2) over politicization (Gough, 2002).

Gough (2002) further believes that neoliberalism is a constrained intellectual concept for capital elites to impose discipline on the working class. Nevertheless, he explains that neoliberalism is a progressive and reflexive ideology targeting the socialization of capital. In other words, it is complicated and contingent (Gough, 2002). He summarizes the nine essential sides that neoliberalism promotes: (1) the mobility of capital, (2) capital dominance over the labour market, (3) the competition for employment, (4) cuts in state service and commodification, (5) privatization and deregulation, (6) the distortion of some local state service and protection of particular capital interests, (7) the encouragement of individualism, (8) increasing allocation for particular groups of residents, and (9) the regulation of private property (Gough, 2002).

Moreover, Gough (2002) states that the development of new technology requires neoliberalism to continue with socialization. Class relations are in the form of socialization, and they are an essential part of national path dependence (Gough, 2002). He argues that the improvement of business influence is through firms' organized association. Regional clusters show the consolidation of capital power and exemplify compensation for the neoliberal weakening of power at the national level (Gough, 2002). Furthermore, the formation of regional clusters could promote production efficiency and generate more surplus value, so it allays the conflicts between workers and capital elites. Neoliberal socialization could make workers self-disciplined in order to reach capitalism's ultimate goal: the dominance of capital over labour (Gough, 2002).

Gough (2002) also explains that neoliberal socialization makes the urban poor socially and culturally fragmented, with no access to collective actions. Poor urban residents have to turn to private resources, and, as a consequence, the community initiatives organized by private resources have no challenging power; their “radical dynamics” are always easy to “head off” (Gough, 2002, p. 71). Hence, the urban poor become the reserve army of capital production through neoliberal socialization (Gough, 2002).

Under the context of neoliberalism, neoliberal socialization has been used to prevent too much politicization, which means socialization plays a vital role in promoting depoliticization (Gough, 2002). So neoliberal socialization (including regional cluster and community initiative) is a systematic framework to undermine socialization’s politicization. Although socialization and neoliberalism are contradictory on the surface, they complement and reinforce each other, so the so-called cooperative industrial relations mean that workers’ organizations are fragmented by neoliberalism. The working class is bought and compromised by capital (Gough, 2002).

Nowadays, the waterfront redevelopment projects in Chinese port cities exemplify the neoliberal destruction of the previous Keynesian-Fordism industrial waterfront and the roll-out creation of the post-industrial waterfront. And this transformation process unveils how entrepreneurial urban governance has changed the physical structure of urban space in Chinese port cities.

## 2.2. Urban Regime Theory and Growth Machine Theory

The research question I am trying to answer in section 2.2 is: *How do development coalitions function to facilitate the waterfront redevelopment initiatives in Chinese port cities? And how are the development coalitions formed?*

### 2.2.1. The Regime Politics in the U.S. and Chinese Cities

In the book *Regime Politics: Governing Atlanta*, Stone (1989) examines how public officeholders and private interests constitute the urban regime to let business elites launch redevelopment initiatives. Stone (1989) explains that city hall and downtown business elites function together to formulate the urban regime, which is the informal partnerships complementing the formal government authority.

Hackworth (2007) defines an urban regime as a way for public and private interests to function together to carry out governing decisions, and its goal is to initiate development and retard disinvestment. A regime of informal social groups with access to institutional resources, therefore, can make potent governing decisions (Stone, 1989).

Since the urban regime constitutes social groups accessible to institutional resources to make efficient governing decisions, private interests that possess the institutional resources must be part of a stable governing coalition (Stone, 1989). My study disagrees with Stone's (1989) conclusion because, in the Chinese context, the municipal government and the state-owned enterprises dominate the governing coalition, while the private developers do not have the final say. My study contributes to the application of urban regime theory against the Chinese second-tier city

background. Nevertheless, in the first-tier Chinese cities, such as Shanghai, the situation (mechanism of the governing coalition) is much similar to what Stone (1989) has evaluated. This resonates with Hackworth's (2007) argument that business elites have enormous power. Nevertheless, Hackworth (2007) also advocates that regime theory is not economic determinism because politics constitute a significant part of power. Stone (1989) goes over the two key factors propelling the informal arrangements, which are: (1) the broad scope so that different types of institutional resources can be mobilized, and (2) cooperation between public sectors and business interests. In addition to that, the two rationales for how governing coalitions are formed are: (1) popular control of governments, and (2) private ownership of enterprises (Stone, 1989). Stone (1989) pays particular attention to the business interests because: (1) business interests are vital in giving strength to the economics of the community, and (2) business interests are in control of critical political resources. Stone (1989) also explores why cooperation is significant: politicians need to have broader political connections to enhance their bargaining power.

Stone (1989) uses the case of Atlanta to explain that the condition of a successful ruling alliance is not to set restrictions for investors, but to provide employment opportunities for minority enterprises. Hence, the strategy unites the coalition and promotes cooperation. The governing coalitions reduce popular control to head off oppositions. They use the minimum level of a referendum to make long-term and consistent development policies (Stone, 1989).

Stone (1989) also mentions that the regime has a close relationship with political practice and policy initiatives. The nature of the regime determines its action and direction. Conversely, policy action can also affect the features of regime policies (Stone, 1989). He explains that policy shapes the forms of political participation and the features of politics. In the Atlanta case, biracial cooperation between the African American middle class and white business elites sustained the governing coalition. Politics therefore shape policy in the form of a governing coalition (Stone, 1989).

American cities increasingly use public money to leverage private investment to avert neighbourhood opposition, and this has enhanced development capital, so using public and private partnership becomes a widespread feature of urban politics (Stone, 1989). Business elites are the dominant force behind the formation of an urban regime. They sustain civic cooperation by mobilizing their own resources. The contemporary entrepreneurial political actors of entrepreneurial urban governance are both private and public sectors, and one of their goals is to let private finance become the crucial financial tool for ameliorating the urban built environment (Heeg, 2011). The new system of interaction has bonded together the African American middle class with white business elites. The provision of business opportunities to the African American middle class undergirds the foundation of biracial cooperation (Stone, 1989). The federal government had heavily subsidized Atlanta, so the Urban Development Action Grant (UDAG) was widely used. Thus, numerous development projects significantly impact neighbourhood preservationists' interests (Stone, 1989). Stone (1989) specifies that the reason downtown business elites can occupy the centre position of governing

coalitions is due to their possession of political resources, and the reason that the African American working class, unlike the African American middle class, was not part of the governing coalition is that they did not possess ample political resources. Stone (1989) explains that the business community's internal personal bonding reduces the possibility of a factional split. The fundamental reason for seeking business unity is the sustainability of business cooperation. And whether or not business cooperation can be sustained depends on the provision of "investor prerogative" to business leaders (Stone, 1989, p. 170). The term *investor prerogative* means that business leaders possess slack corporate resources so that they can provide "small opportunities" or "selective incentives" to cement the governing coalitions or sustain business cooperation (Stone, 1989, p. 190). He illustrates that public policies are designed to support investor prerogative, which facilitates business unity (Stone, 1989). An investor prerogative is the guarantee of development activities, and it is created by semi-autonomous institutes and public and private partnerships. Moreover, investor prerogative protects development activities from the impact of popular electoral control (Stone, 1989). The formation of a governing coalition involves choosing the African American middle class as the coalition's supporting constituency so as to facilitate its cohesion.

In addition to that, Stone (1989) evaluates selective incentives offered by business elites who have ample institutional resources to solve collective actions, sustaining coalition. Moreover, investor prerogative and selective incentives are closely correlated. The investor prerogative removes any disincentive factors for the

prerogative class, and this reinforces selective incentives (“solidarity within the investor class”) (Stone, 1989, p. 175).

In summary, the Atlanta regime’s key feature is that the solidarity of electoral power made the African American middle class benefit more than the urban poor and African American working class (Stone, 1989). Because the governing coalition in Atlanta was effective and efficient, it could promote large programs and desegregate and solicit the African American middle class to join the governing coalition. Thus, the Atlanta governing coalition is capable of carrying out the activist development agenda (Stone, 1989).

However, the situation in Qingdao is different. Racial politics is not an issue in Chinese port cities. Instead, the linchpin of the governing coalition’s success in Qingdao is the close ties between municipal government and local redevelopment enterprises that I explain in detail in the eighth section.

The three primary characteristics of the urban regime are (1) the capacity to do something, (2) a set of actors who do it, and (3) a relationship among the actors that enables them to work together. And as mentioned earlier, the urban regime has been defined as how private interests and the public sector function together to formulate informal arrangements to carry out governing decisions (Stone, 1989). Public housing is used as a tool to build a coalition. Reciprocity and loyalty work together to make relationships dependable and reliable (Stone, 1989).

Stone (1989) also explains why the regime’s constitution should reflect the government officials (elected by democratic elections) who are capable of promoting



business activities needed by the communities. He examines the caretaker role in ward politics. Given his study in Atlanta, he explains that ward politicians will exert a special caretaker role to large firms, especially in the manufacturing sector, and they offer subsidies such as low taxes. The caretaker role's characteristics are that the ward politicians are close to small property holders, and their supporters are the large but politically inactive business. In Atlanta's case, the activist redevelopment agenda replaces the caretaker policies (Stone, 1989). Stone (1989) also states that the civic and electoral sectors are closely related to each other. A governing coalition must be able to promote economic development and civic cooperation. It must be able to do more than win the election (Stone, 1989). He explains that selective incentives in conjunction with emotional commitment are used as rewards and punishments to solve the collective action problems (Stone, 1989).

Adherence to collectivism, moreover, means that cooperation could displace individual opportunism (Stone, 1989). The lack of selective incentives is always accompanied by a lack of discipline, which is why the challenge of the 1960s protest to the governing coalition failed (Stone, 1989). The selective incentive helps sustain the activist agenda and is significant to the regime's durability (Stone, 1989). That is why business elites and the African American middle class can centre the civic cooperation stage: they possess ample institutional resources (Stone, 1989). The selective incentives mainly come from the private sector, but they could also come from government authority. And the reason that business elites in Atlanta were against Maynard Jackson was to preserve the business influence and fight for the

centre stage on civic cooperation (because Atlanta's white business elites possessed a large number of institutional resources). This explains why civic cooperation is durable and effective (Stone, 1989).

In the Atlanta regime, the private sector actors had investor prerogative. The governing coalition was not able to focus on civic cooperation without business elites' support, so the progressive governing coalition led by Mayor Jackson could not effectively govern. Jackson's administration could have been Atlanta's governing coalition, but the city's business elites controlled the essential resources and selective incentives. The white business elites undermined Jackson's leadership by restricting the provision of selective incentives, and he could not use the neighbourhood movements to solicit the African American working class to be their political partners.

The way that business elites support civic cooperation is to impose investor prerogatives on minority business in exchange for electoral support from the African American middle class (Stone, 1989). Thus, selective incentives are critical resources for forming civic cooperation (Stone, 1989). Stone (1989) summarizes that only the white downtown business elites could formulate a network of civic cooperation and promote the cohesion of cooperation, and they would support the politicians who supported their business. By positioning themselves at the centre of civic cooperation, the business elites could become an indispensable part of the city's governing coalition. So public officials could only cooperate with business elites to govern; otherwise, their interests would suffer. Incorporation into the business system of civic

cooperation, therefore, ensures empowerment, and being partners with downtown business elites is attractive to public officials (Stone, 1989). Stone also states (1989) that there are three crucial steps to reinforcing business power: (1) class unity, (2) cooperation, and (3) shaping cities' politics by constructing the network of civic cooperation to help politicians who potentially could win the election and expand the business influence. There would be no business cooperation without the activist agenda because, in the Atlanta governing coalition, business elites are key allies who possess slack resources (Stone, 1989). One of Atlanta's governing coalition's significant features is the business control of investment activity, which is the critical component of business influence. Stone (1989) states that Atlanta's business enterprises possess slack resources that have tremendous political value. And this is exemplified by the political role of the business sector, which is reflected in how Central Atlanta Progress, Inc. was organized: formed by the Atlanta downtown property holders (Stone, 1989).

In summary, the Atlanta downtown elites shaped the local regime through their political and economic influence. They solicited the African American middle class to be their allies by offering essential resources as selective incentives to establish direct business ties with the African American politicians. Hence, the business elites dominated Atlanta's civic cooperation by facilitating biracial communication. Stone (1989) specifies that the slack institutional resources that business elites possessed cannot be ignored, because white downtown business elites could use the institutional resources as weapons to reward social groups who cooperate with them and discipline

those who do not. In the end, Stone (1989) argues that the business elite cannot pursue activist agenda without the government's cooperation. That is why the African American middle class is a vital political force, as they hold a significant position in democratic elections. Thus, white downtown business elites' strategic core is to use their resources to construct the regime more efficiently and effectively. Meanwhile, they undermine the black elected government's ability to govern independently by limiting the provision of selective incentives. Simultaneously, white downtown business elites tried to establish strong private links with the African American middle class to reinforce the network of civic cooperation (Stone, 1989). In doing so, they maximized their interests.

Stone (1989) illustrates that it is difficult to build effective governance if city hall does not have a close partnership with business elites. In other words, if there is elite business involvement in the partnership, the governing coalition will be useful but not equitable (Stone, 1989). Additionally, Stone (1989) explains that the concepts of reciprocity, deal-making, and "go[ing] along to get along" are contracted to the concepts of "enlarged, elevated, and grand versions of governing" (Stone, 1989, p. 206). Thus, the downtown business elites' selective incentives were meant to lay the foundation of concerted action. However, since selective incentives lack more comprehensive representation, they cannot accommodate all classes' interests (Stone, 1989). For the Atlanta governing coalition, broader representation means there will be fewer business opportunities as the investors must take care of other social groups, hence business elites' opposition to widened representation (Stone, 1989). The white

downtown business elites also support good biracial cooperation/relationship, so the African American middle class has also been able to move broadly onto the political stage as part of the strategy of cooperation (Stone, 1989).

Nevertheless, the younger generation of the African American middle class, who grew up in the civil rights movement, started to question who the “insider beneficiaries” of the selective incentives are, and why the reform had not benefited working-class African Americans (Stone, 1989, p. 208). Stone (1989) reveals that business elites offer selective incentives to limit insider privileges only to a small group of beneficiaries. This could promote regime unity. Still, this is at the expense of equity (Stone, 1989). Furthermore, Stone (1989) states that the characteristics of the governing coalition—biracial cooperation—determine the regime’s effectiveness. Once the regime contains the entire black working class, it cannot achieve coordination work. There are two elements regarding the effectiveness of the regime: (1) coordination of work to execute designated projects, and (2) whether the governing coalition could consider broader community demand (Stone, 1989).

Stone (1989) also states that an inclusive regime generally does better in social learning than a cohesive regime. That means that the coherent downtown elites could use selective incentives to finish the projects, but they also lack social learning. And the Atlanta experience unveils two principles: (1) selective incentives are instrumental in promoting regime cohesion, and (2) the downtown business elites can thwart social learning through restrained selective incentives (narrow coalition cooperation) (Stone, 1989). In addition to that, Stone (1989) evaluates the characteristics of reform politics,

which is full of autonomous voluntary associations that do not rely on corporate business. The possession of institutional resources by downtown business elites is essential because they can promote the city's business investment and ensure the continuity of development policies (Stone, 1989). Thus, selective incentives play an important role in enhancing regime cohesion and making the governing coalition more efficient (Stone, 1989). Stone (1989) explains that the Atlanta regime's essential characteristics are the private control of selective incentive and private leadership of civic cooperation. Only when the regime is reorganized can there be broader community representation. The encompassing governing coalition will construct a pro-business climate, and a cohesive coalition is at the price of social learning. Nonetheless, a diversified civic sector is always disunited and inefficient (Stone, 1989).

Atlanta's regime experience reveals that democratic election is essential, and it is also essential to solicit allies who have an independent/institutional capacity to govern. Otherwise, business elites will get involved in the governing coalition sooner or later, and they would use small opportunities to unite the community group closely around them. Therefore, a reform regime must not rely on business elites. Instead, they should establish their nonprofit enterprises or neighbourhood organizations to build a long-term, stable, and cooperative partnership. All of these will be helpful in constructing an inclusive governing coalition, because the foundation of cooperation is no longer based on the acceptance of selective incentives but on deepened social learning. The disadvantage is the decline in execution and efficiency of big projects

(Stone, 1989). That is why the regime coalition primarily formed by downtown business elites always intended to keep the governing coalition within a small group so that the transaction cost stays low. In this way, it becomes impossible to improve social learning, and the private control of selective incentives intensifies the tendency (Stone, 1989). Stone (1989) reasons that the way downtown business elites dominate the governing coalition is by sustaining the civic cooperation network by facilitating investor class unity and broad investor prerogative. Thus, the concentration of institutional resources (in the hands of downtown business elites) makes it difficult to consider social learning and other community claims (Stone, 1989). As mentioned in the very beginning, the informal arrangement is based on cooperation between the public and private sectors and private control of institutional resources. The governing coalitions can then mobilize resources to promote cooperation. And these informal governing coalitions can complement formal government authority, thus propelling civic cooperation (Stone, 1989).

Ultimately, Atlanta's experience explains why government and business authorities are attractive to each other. The institutional resources possessed by the business sector are critical for policy-making. Cooperation with business, then, is significant for empowering the strength of the private sector. This is the cooperation mode between government and business emphasized by the social-production model (Stone, 1989). The postwar Atlanta political dynamics are such that downtown business elites actively use their own economic and organizational resources to participate in civic cooperation. They were not satisfied with only providing

investment capital; instead, they actively participated in the policy agenda, thus becoming an essential part of the urban regime and governing coalition (Stone, 1989). Business elites thwarted progressive social associations because of their possessions of small opportunities. They were thus more capable of mobilizing institutional resources to build an active civic cooperation network and more able to promote the local governing coalition's cohesion (Stone, 1989). According to Stone (1989), the core of the Atlanta governing coalition is that business elites and government/progressive social associations have different capacities to govern, which is what the social-production model emphasizes.

Stone concludes by emphasizing that downtown business elites possess ample institutional resources, which makes them the best allies of city hall (Stone, 1989). And the small opportunities provided by business elites are the foundation of civic cooperation, which makes the regime attractive to potential partners (Stone, 1989). The key to regime building and cohesive unity, then, is how business elites use selective incentives to facilitate civic cooperation and cohesion (Stone, 1989). He reiterates the condition of having a progressive regime that is the middle class not relying on business elites.

Nevertheless, policies are decided by resource controllers. Thus, the capacity also determines the membership in governing coalitions. The key in Stone's theory is the formation of governing coalitions and why some coalitions are better than others in terms of utilizing private resources. However, Atlanta's experiences show that its politics is not machine politics, because the election in Atlanta was nonpartisan, and



there were no large-scale patronage politics. Nonetheless, this is not saying the civic life in Atlanta was open and fluid, because nonpartisanship brings about civic, social organizations' reliance on business elites. The working-class organizations were not the main participants of nonprofit organizations in the case of Atlanta's civic politics. That is why Atlanta's postwar politics is an activist agenda rather than machine politics (Stone, 1989). In the end, Stone (1989) makes explicit the essence of Atlanta's postwar regime in that at the core of the governing coalition is the downtown business elite, and their goal of governing is the active redevelopment of CBD and the protection of investor prerogatives. Meanwhile, their political allies are the African American middle class. The two promote the agenda of change and formulate the city's governing coalition (Stone, 1989). The business elites could use their own resources to shape their leading positions in the governing coalition and defend their privileged positions, and they can construct their web of reciprocity (civic cooperation) by offering selective incentives (Stone, 1989). However, Stone (1989) also states that the governing coalition must widen their representation to understand the city's full situation, thus making city managers better understand the consequence of their actions. And this is how the downtown business elites in Atlanta built the governing regime.

Above is Stone's classic theory of regime politics. As my description shows, the Chinese government-business relationship has many Chinese characteristics in its nature as a form of governing coalition. To answer my research question from the beginning of section 2.2, these "Chinese characteristics" are based on path

dependence, which is due to the Chinese municipal governing coalition's birth and development. The Chinese local governing coalition is created against the background of the past forty years' tremendous change in China's social economy. So in an absolute sense, the Chinese local growth coalition is different from North American cities' regime (development coalition) based on racial politics.

Amid this changing process, the difference between the Chinese and American cities lies with the controllers of institutional resources and the different redevelopment projects' initiators. In the U.S., private developers are the ones who have institutional resources, and they have initiatives and incentives to develop the projects. In contrast, in China, the government controls the land resources to cooperate with the state-owned development enterprises to initiate the redevelopment projects (although in first-tier Chinese cities such as Shanghai, private or foreign investors do have the final say amid redevelopment projects, as described by Fulong Wu in the case of New Heaven and Earth redevelopment project).

In addition, the incentives driving the investment and redevelopment in central cities are different. In the U.S., the developers who want to receive monetary profits drive speculative real estate development. In contrast, in Chinese cities, the municipal governments, as aggregators of land resources and the market mechanism's manipulators, drive the redevelopment project to promote the "land finance," ensuring the appreciation of land value to facilitate the local economic growth.

Accordingly, in terms of (1) the controller of land resources, and (2) investment incentive, the Chinese development regime is absolutely different from the American

development coalition. However, a comparison of the two countries' redevelopment coalitions allows us to comprehend their unique characteristics and the economic and social differences between China and the United States. Moreover, the dynamics of how the coalitions are kept together through the allocation of urban resources are similar between the two countries. Business elites in the U.S. utilize institutional resources to generate small opportunities to reward and discipline the social groups, whereas Chinese municipal governments act like dictators. With their own public power, land resources, and huge financial resources, the Chinese municipal governments dominate China's urban redevelopment projects.

Consequently, who will be the stakeholders to supervise and balance the government's behaviour in promoting waterfront redevelopment projects is an urgent research topic. What we can foresee from similar developments in first-tier cities such as Shanghai, is that with the evolution of the market system, many private enterprises and even foreign developers are playing an increasingly important role. This also shows that municipal governments in economically developed areas are making rational use of the capital market's resources. They are becoming more and more sensitive and experienced with leveraging private investment. This is helpful for the governing coalition to enact governing decisions and make them more effective and efficient.

All in all, I argue that municipalities across the nation should let private investors have more investor prerogative to make rational use of capital resources and balance the overwhelming power of municipalities.

### 2.2.2. Growth Machine in the U.S. and Chinese Cities

In the book *Urban Fortunes: The Political Economy of Place*, Logan and Molotch (1987) specify that neighbourhoods are also like class/caste, and they have the function of spatial segregation. The authors (1987) explain that the spiritual and sentimental stakes are essential, so the use-value of one place is equal to the material plus the non-material use of the place. The three significant conclusions are: (1) the capitalists' attachment focuses on whether land and building can generate profitability for their businesses, (2) capitalists' attachment to places is weaker than that of people, as capitalists can move out more quickly, and (3) capitalists' use of place is less fragile than that of residents (Logan & Molotch, 1987).

Logan and Molotch (1987) also specify that the exchange value of place is rent, explaining that the land market's essence is monopolistic, which means the landlord class has complete control over the land supply. Unlike other small commodities, the housing market cannot increase supply as demand grows (Logan & Molotch, 1987). They explain that rent levels depend on a property's location (particularity), and the differential rents depend on other parcels that are the spill-over effect through the web of externalities (Logan & Molotch, 1987). So the increase and decrease of property prices depend on the relations among properties. Thus, revamping the city's spatial organization can enhance the rent, which depends on the location of the property—particularity (Logan & Molotch, 1987). The monopolistic nature of rent keeps land relatively independent of market supply and demand. The monopolistic characteristics of individual parcels come from situational/contextual elements, and

they are not the result of entrepreneurial interventions (Logan & Molotch, 1987).

Moreover, they (1987) suggest that locational advantages and disadvantages result in rent differentials.

Logan and Molotch (1987) reason that since governments decide the market outcome, government activities promote the distribution and redistribution among renters. They summarize the characteristics of place commodity: places cannot be produced privately as the producers want to meet the demand. Government activities accompany producers and consumers. As a result, place products are not merely commodities, nor do they follow regular supply and demand relations (Logan & Molotch, 1987).

Logan and Molotch (1987) also illustrate the three different types of entrepreneurs and their relationships with place commodities: (1) active entrepreneurs, (2) structural speculators, and (3) serendipitous entrepreneurs. They define the growth machine as “An apparatus of interlocking pro-growth associations and governmental units” (Logan & Molotch, 1987, p. 32). According to the authors (1987), the growth machine activists do not care about the production process or the commodity’s use-value. They stand against intervention that regulates development in the name of promoting use-value. Nevertheless, they “share the spoils of aggregate growth” (Logan & Molotch, 1987, p. 32). And the growth machine activists believe that the free-market mechanism should be able to determine land use. In the authors’ opinion, land-use regulation will endanger both society and localities (Logan & Molotch, 1987). Similar to the neoliberal theory, the growth machine activists believe that the

market is the only legitimate mechanism for deciding what to produce (Logan & Molotch, 1987), including the provision of public housing. In the same vein, Hackworth (2007) argues that the neoliberal process of public housing promotes entrepreneurial and private governance, and roll-out neoliberalism establishes the principle that the market is the best and most efficient mechanism for allocating the housing resources.

Beyond that, Logan and Molotch (1987) examine the logic of the communities. The communities do not evaluate the utility of their residents, but they want everything that could be produced in their backyard to generate aggregate growth, because this is a public good that will benefit the entire community. Due to the benefits of increasing economic activities, city governments therefore generally strive to attract investors by any means (Logan & Molotch, 1987). Real estate economists hold similar opinions. Paul Peterson (1981) places cities' well-being equal to the level of capital investment because he believes that capital investment in the city is beneficial to all residents. He believes that it is in the interests of all citizens if the cities ardently pursue development policies. Peterson (1981), therefore, considers all capital growth as net gains, and he believes development programs have only a positive impact on the city overall. He believes the cost of development does not affect the fortunes of places (Peterson, 1981). Nevertheless, the local rentiers' behaviours contradict this point because the existing rentier class only serves for their benefit and is an intermediary between corporate elites and local citizenry. So the

beneficiaries of the rentier class are only themselves and the capitalists, but not the general public (Logan & Molotch, 1987).

Contrary to Peterson's opinion, Logan and Molotch (1987) do not think the local economic growth will promote the public good because development would bring regressive effects. And the development projects that enhance the scale of cities and change spatial relations will invariably have impacted the distribution of life chances. Additionally, Logan and Molotch (1987) evaluate the concept of the "ecology of the game" (Logan & Molotch, 1987, p. 34). They (1987) believe that human activities generate costs and benefits. The goals of rentiers who control places are to trap growth, and these rentiers intend to transfer the internal costs while capturing the benefits (mainly the rent/exchange value). Such ecology of the game relies on the growth elites' struggle for private fortunes through the development process, which means the "rentiers' pursuit of private benefit is sustained by the development process" (Logan & Molotch, 1987, p. 34). Meanwhile, some other social groups absorb the internal costs of the development activities. Again, this contradicts Peterson's opinion that development policies are in the interests of all citizens.

Logan and Molotch (1987) also examine the government's role in bolstering the growth goals. However, they (1987) state that government access is vital to the growth coalition because they determine the content and range of public investment, pollution control, and government procurement spending. This is especially true in the development coalition of Qingdao Olympic Sailing Centre's case. The waterfront redevelopment initiatives are dynamic due to the development coalition's close ties

with the municipal government. Moreover, the growth coalitions are very enthusiastic about making governmental decisions. If there are government units among the local elites, local elites have insider prerogatives/advantages, and this is consistent with Stone's argument (Logan & Molotch, 1987). Logan and Molotch (1987) further state that the government's power devolution and consolidation are also about the strategic manipulations of the distributional outcome of resources. They (1987) conclude that urban reform's propelling power is the entrepreneurs' pursuit of higher investment returns. And the legal creation and regulation of places are driven by searching for exchange value. This is contrary to my study's opinion that the propelling power is the municipal government's pursuit of the land (national asset) value preservation and appreciation. Moreover, the municipal government seeks the local economic development to manifest the political performance of government officials in the public authority. Nonetheless, the fundamental force that propels the urban redevelopment projects in the Chinese cities is to extract value from the land speculative investments. And to gain benefit from the land development is the common goal of the Chinese growth coalition's three major stakeholders: municipal governments, state-owned enterprises, and private sectors.

In the chapter "The City as a Growth Machine," Logan and Molotch (1987) state that the relationship between local elites is pluralistic cooperation, and there is joint membership between the local elites to promote cohesion. They also illustrate that a city is a growth machine that can enhance aggregate rent (for a definition, see p. 54) and "trap wealth for people in the right position to benefit" (Logan & Molotch, 1987,



p. 50). They (1987) analyze how governments create a pleasant business climate, stating that the main participants of urban politics are local business people who are dedicated to growth boosterism and business communities who are well-organized and have many resources. The authors (1987) also argue that the rentier elites need to rely on local government to promote structural speculation, which refers to speculative investment in real estate properties. Logan and Molotch (1987) determine that growth politics is undervalued because of: (1) symbolic politics and other significant issues, and (2) government action and distribution of essential goods and services that are much less visible to the public. The authors analyze how local growth elites participate in growth politics: when inadequate public services may lead to an obstacle to the environment of capital investment, the rentier elite will advocate for improving public utilities through excessive taxation to prevent exerting a bad influence on the macroeconomic situation (Logan & Molotch, 1987). Logan and Molotch (1987) then illustrate how politicians, local media, utilities, universities, cultural amenity facilities, professional sports, organized labours, self-employed professionals and small retailers, and corporate capitalists participate in growth machine politics.

Furthermore, Logan and Molotch (1987) state that the effects of growth are highly contested. The growth machine activists believe that intensive development could reinforce the local tax base, provide resources for solving existing social problems, and provide housing for natural population growth. However, they (1987) indicate that the real effects of growth need a realistic evaluation. They begin to

question the real effects of growth from the perspective of fiscal health. Generally speaking, housing development generates a net fiscal loss, and industrial and commercial growth produce net benefits for the tax base. When local governments offer special tax incentives and subsidies to attract new industries, development's fiscal costs will be very high. Nevertheless, sometimes growth can save much money for local governments when the growth improves the physical plant's efficient use to reduce the costs. Otherwise, any increase in the demand for new public expenditure will trigger substantial fiscal costs (Logan & Molotch, 1987).

An overbuilt infrastructure crisis can result in a drain on the public budget. Thus, Logan and Molotch (1987) conclude that growth spending gradually leads to fiscal deterioration due to the service costs generated by new development slowly exceeding their revenues. They found that the added service burdens have quickly offset the local tax base's growth due to industrial growth. Industrial development therefore only leads to service burdens, not the real benefit of growth (Logan & Molotch, 1987).

What is more, Logan and Molotch (1987) find that industrial development does not generate jobs; it just redistributes them. The total number of jobs in a nation is determined by the "rate of return on investment, national trade policy, federal decisions affecting the money supply, and other factors related to local decision making" (Logan & Molotch, 1987, p. 89). So the growth of places has nothing to do with whether or not there is the provision for jobs (Logan & Molotch, 1987).

Logan and Molotch (1987) also illustrate that some immigrant social groups are advantageous in terms of their racial or social legacies, so once jobs are available in one city, the immigrant workers will move there and take the jobs, while the local unemployed population remains unemployed (Logan & Molotch, 1987). Therefore, only the federal government can exert influence on the total number of jobs; local government could do nothing in this case, and growth merely redistributes the stock of employment (Logan & Molotch, 1987). Chinese municipal governments across the nation are participating in this interlocal competition to compete for resources and jobs. In addition to that, Logan and Molotch (1987) believe growth only deteriorates urban problems such as racial segregation, inequality, separation, and disparities. But it seems the Chinese development coalition pursues a different viewpoint on growth, which I introduce in the Result Analysis section.

All in all, Logan and Molotch (1987) conclude that the essence of current local growth is to transfer public wealth to rentier growth and their partners. The general public has to sacrifice the use-value of their living places to exchange the interest groups' exchange gains.

The ultimate driving force of Chinese cities' development politics is the pursuit of economic returns, and I now introduce the concrete mechanism in Jonas and Wilson's book. This is also an integral part of the growth machine mechanism. Jonas and Wilson (1999) describe the dramatic economic-political change over the past twenty years under the context of globalization. They draw attention to the core of Molotch's growth machine theory: the coalition of land-based elites are highly associated with

the economic fate of places, and they drive urban politics by their “pursuing of the local economy and accumulating wealth” (Jonas & Wilson, 1999, p. 3). However, they further specify that growth machine theory is not able to address the question of power and social class hierarchy and does not reflect the concrete “everyday actions of urban elites” (Jonas & Wilson, 1999, p. 4). Molotch and Logan add agency-centred localism (only rentiers, no social hierarchy) into the growth machine theory. Moreover, their theory puts growth (land-based interests) in the centring position (Jonas & Wilson, 1999). The communities of growth elites try to unite the citizens to solicit support for their redevelopment plans, but this is not easy due to the conflicts between pursuing use-value from residents and the pursuing of exchange-value from rentier elites. However, when it comes to attracting growth to the locality, the communities of growth elites collude to mobilize around the government for assistance (Jonas & Wilson, 1999).

Nevertheless, due to the disruptive effects of the built environment caused by economic development, a counter coalition formed in a wealthy community (such as many communities in California and Northeast) from environmental and distributional concerns to slow down growth or prevent growth from the beginning (Jonas & Wilson, 1999). The growth machine coalitions have to borrow the power of national/international capital to thwart the local opposition (Jonas & Wilson, 1999). Moreover, they (1999) criticize the fact that Molotch ignores the fundamental question: growth machine theory does not specify whether it could shape everyday social life. And daily life is significantly essential to people’s understanding of the

growth machine (Jonas & Wilson, 1999). The formation of growth theory must adapt, according to Jonas and Wilson (1999), to the prevailing philosophies and visions of existing theories. And the territorial ideologies are made up of spatial structuring and economic development politics (Jonas & Wilson, 1999).

The authors identify the new characteristics of urban politics: a fundamental shift in the organization of the North American model of economic growth and the crisis of Fordism (Jonas & Wilson, 1999). They compare the rise of growth machine theory with the fiscal crisis. Molotch imported growth as one of the essential tools in local politics. And the essence of the growth machine is distributional. Jonas and Wilson (1999) believe that the focus of the growth machine's thesis should be transferred from the conflict between rentiers and residents to the impacts of local economic restructuring and national politics. They also believe that even though growth machine theory is contingent, one still needs to understand its social context: whether a place is applicable to growth machines depends on the "level of local commoditization" (Jonas & Wilson, 1999, p. 14).

### 2.2.3. The Behaviours of the Chinese Growth Coalition

But what are the concrete behaviours of the Chinese growth coalitions? I believe the Chinese growth coalition's essence is centred on using territorial ideologies to unite private partners and promote interurban competition to promote growth, and city development to reap profits. So this is an aggressive form of neoliberal entrepreneurial public and private partnerships. The public and private sectors

function together to undertake the devolution of neoliberal powers and resources to improve the efficiency and accuracy of local economic development policies.

My study agrees with Logan and Molotch (1987)'s opinion. The ultimate goal of the redevelopment of Chinese cities is to hew to the growth principle defined by Logan and Molotch: Chinese development coalitions are pursuing the exchange value of place: rent. Moreover, the value of land prices in Chinese cities also depends on the projects' locations. The Chinese development coalitions also conform to free-market competition—the market mechanism for allocating goods and resources—although state intervention does exist in the practical situation.

The attitude of Chinese municipalities toward real estate redevelopment is to ensure the state assets' preservation and appreciation. We could consider it the preservation of the public good. State-owned investment companies are usually responsible for the repair and renovation of utilities and infrastructures that affect the development cost.

All in all, the nature of China's growth coalition should be regarded as a growth coalition with Chinese characteristics, which is nominally for the public good but in fact is for the municipal government and developers to obtain the huge harvest of land development.

In the chapter "Ideology and Growth Coalition," Cox (1999) argues that territorial ideologies could unite the city's different interest groups. Cox (1999) describes the definition of the dilemma of growth coalition, and he explains why under the condition of distributional consequence, ideologies of territory are one way

of solving the “problem of opposition and uniting all the potential advocates” (Cox, 1999, p. 23). He introduces the New Urban Politics (NUP) theory, believing that the theoretical foundation of NUP is the “hypermobility of capital” (Cox, 1999, p. 25), and this will lead to the relocation of local firms.

The hypermobility of capital will threaten the health of the regional economy, Cox (1999) argues. Thus, in order to keep the health of regional sustainable development, the growth machine coalition must create a business-friendly local climate to attract firms and capital. The beneficiary of NUP, then, is local capital (Cox, 1999, p. 23). The local growth coalitions transfer their own cost of channelling value to other regions through labour law (Cox, 1999). Peck and Tickell (2002) illustrate that interlocal competition is undergirded by neoliberal rationales that advocate the competitive mechanism for interlocal relations. Through interlocal competitive relationships, the different regions are disciplined by the forces of marketized neoliberal spatial relationships. Furthermore, interurban competition has a significant impact on reflexive and entrepreneurial urban governance. As mentioned earlier, interurban competition shapes entrepreneurial governance.

Cox (1999) explains the politics of siting branch plants in Great Britain. English enterprises sometimes site their plants in high-unemployment depressed areas for getting government subsidies. Meanwhile, local governments work together with local business associations to attract firms. At times, however, there has also been opposition (Cox, 1999). Cox unravels the similarities and differences between two types of territorial ideologies: NUP and labour law in the U.S. He explains how the

cost of economic development is internalized to be imposed on local labour, and externalized to other regions (Cox, 1999). There is also demand for amplifying the local government's power because the local growth coalition does not regulate the "adverse distributional impact," and it needs to be covered by the local government concession (Cox, 1999, p. 27). The municipal government's amplified power resonates because the local governing coalition obtains more financial power due to the fiscal devolution (Schubert, 2001; Sagalyn, 2007). As Hackworth (2007) has identified, the local development regime is made up of real estate elites, and city hall is the organizational form of PPP; together, they undertake the neoliberal federal power devolution. Cox's chapter introduces different territorial ideologies, territorial ideologies' environment of formation, and the local community's ideologies (Cox, 1999). To some degree, the differences between territorial ideologies and ideology of community are how they entail local growth issues. The core work and behaviour of the Chinese growth coalition's public part, the Chinese municipal governments, is to shape growth policies.

Logan et al. (1999) believe that "The City as a Growth Machine" theorizes governing cities, and Logan and Molotch (1987) believe that growth policy is not only the integral part of local politics but also a guiding concern of government. Then Logan et al. (1999) introduce the background of what was against growth policy as a guiding theory: urban politics and urban sociology. They (1999) also describe how Molotch refutes the two viewpoints. Logan et al. (1999) further elaborate on the two viewpoints that "The City as a Growth Machine" raise and then evaluate the two



viewpoints with a series of questions. They (1999) raise their hypothesis regarding Molotch's viewpoint: the growth machine's primary influence channels the policy priorities of localities to development rather than to redistribution. They (1999) further illuminate the three different types of regimes: pluralist political economies, federalist regimes, and entrepreneurial regimes (Logan et al., 1999, p. 75). Stone's regime theory, Elkin's three regime types, and Molotch's growth machine theory are all consistent: they emphasize the irreconcilable conflict between the business community (exchange value) and the residents (use-value) (Logan et al., 1999). Even though sometimes residents and local businesses can work together to prevent development, people still do not get the real reasons for the formation of the pro-growth regime and antiregime. So people do not understand the real balance of power in a community (Logan et al., 1999). Furthermore, the authors (1999) evaluate the impact of antiregime and why the antigrowth regime is essential to the city's growth strategies (Logan et al., 1999). Antigrowth regimes more often arise in wealthy neighbourhoods. Sociodemographic and issue-related factors both affect whether residents could organize environmental quality groups to force government and business leaders to be more responsible to protect the environment and promote neighbourhood preservationism (Logan et al., 1999). Wealthy communities are more predisposed to raising growth-limiting regimes by generating restrictive growth policies. Ultimately, these restrictive policies would balance the growth coalition's initiatives (Logan et al., 1999). The more active growth-promotion policies cities

implemented in the post-federal period are market-based entrepreneurial development policies in nature (Logan et al., 1999).

Lastly, the authors briefly describe Molotch's theory's two hypotheses (Logan et al., 1999, p. 89). They develop several variants of the pro-development regimes: (1) growth is invariably changing to adapt to the flow of politics and opposition, (2) the balance between the pro-growth coalition and the antigrowth coalition needs to consider outside factors, (3) there are different demands regarding different social categories of residents, and (4) pro-development interests fail to be the centre of power (Logan et al., 1999). In retrospect, the authors usher in a caveat to the pro-growth strategies adopted by the local authorities.

Meanwhile, the Chinese place-bound interests, the private part of the growth coalition, play a more important role in the redevelopment initiatives in waterfront redevelopment projects. Their behaviours include promoting interurban competition among different localities. Andrew Wood (1999) explains that the U.S. and the U.K. are becoming more similar than ever in the local organization's format in promoting local economic development. The interurban competition and place-bound interests are more getting into it (Wood, 1999). Regarding the definition of the growth machine thesis, Wood (1999) raises three questions from the perspectives of organizing for local economic development.

Wood (1999) finds that different economic development agents' roles are significant with regard to attracting manufacturing investments. So he (1999) evaluates each of the primary agents' activities and examines the form of their

organizations. He (1999) first illustrates the activities of utilities, the role of the chamber of commerce, and the local government. Then he (1999) analyzes the defects of growth machine theory. In summary, the growth machine theory cannot explain the division of labour in local economic development. It overemphasizes rentiers as the significant growth propellers for local economic promotion. So these are the two considerable growth defects in machine theory. This is important for us in understanding Chinese port cities, because in the Qingdao Olympic Sailing Centre area, the manufacturing industries have been relocated to urban fringes, so the economic restructuring is complete. Moreover, small property owners are not influential in most Chinese port cities, so it is difficult for them to play a decisive role as their American counterparts do.

Meanwhile, the division of labour theory—the relationship between mobility and immobility—is the theoretical evidence that could be used to analyze the politics of organizing for inward investment. In the U.S., the institution attracting investment is the localized network of private/state institutions (Wood, 1999). In retrospect, he reviews the three significant growth defects machine framework again (Wood, 1999).

#### 2.2.4. The Chinese Municipalities as Regulators

I have introduced the fundamental features of the urban politics of redevelopment projects in Chinese cities, so I will not dig deeper. In a word, the Chinese redevelopment model of urban flagship projects is highly government-oriented. As the controllers of land resources, municipal governments are coordinating the allocation of resources participated in by state-owned development corporations and

private developers. Chinese private developers are not like their American counterparts, and they do not have the investor prerogatives like their American counterparts do.

In addition, the Chinese municipal governments, as the regulators and the institutions managing the market, enact regulations, coordinate social relations, and are in charge of any risks generated from the development process. For example, in the Shanghai *New Heaven and Earth* redevelopment process, the Shanghai Luwan District government must listen to all kinds of complaints from the people in the process of demolition. Thus, just as the regulation theory has defined, the politics of municipalities is just another kind of accumulation regime. This is against the context of the development of politics in Chinese port cities.

In the book *Reconstructing Urban Regime Theory: Regulating Urban Politics in a Global Economy*, Lauria (1997) mainly evaluates whether urban regime and regulation theory are complementary and compatible. Lauria (1997) explains the two structural characteristics of the political economy from where urban regimes emerged: (1) local government has to rely on property tax income, so maintaining property investment is necessary, and (2) capital economy means private control of production. These two structural characteristics of the political economy determine the business dominance of local politics (Lauria, 1997). The structural characteristics of the urban regime (such as the definition of respective prerogatives of the controllers of productive assets) determine defining axes of urban politics (such as public and private growth alliance, electoral politics, bureaucrat politics) (Lauria, 1997). And the

latter determines the constellation of the axes (pluralist, federalist, entrepreneurial). The structural characteristics of urban regimes derive from the division of labour between market and state, which is the respective prerogative of the controllers of productive assets. These structural characteristics of urban regime give rise to the three characteristics of urban politics, as mentioned earlier: “public and private growth alliance, electoral politics and bureaucrat politics” (Lauria, 1997, p. 3). Lauria (1997) defines regulation theory as emerging out of a critique of structural Marxist theory as a historical and geographical explanation to capitalism’s development. The focus of regulation theory is to use extra-economic forces to allow inherently contradictory capitalist accumulation to survive. Moreover, regulation theory is helpful in understanding the persistence of the fundamental capitalist social relationship (Lauria, 1997). Therefore, the theory is about the management of the capital accumulation process, but it is not about the principle of the capital accumulation process. In contrast, it depends on a set of contingent social, cultural, and political support factors. Lauria (1997) further describes the regime of accumulation as the broad relationship between production, consumption, savings, investment, and the geographical extent and degree of autonomy of capital circuits (Lauria, 1997). Additionally, Lauria (1997) explains regulating mechanism as “social institutions, social relations in civil society, cultural norms, and the activities of the state apparatus” (Lauria, 1997, p. 6). In my study, the Chinese municipal governments, as the regulators and the institutions managing the market, enact regulations, coordinate social relations, and are in charge of any risks generated from the

development process. Moreover, they function as the pacesetter to regulate the urban speculative investments. What is more, the municipal governments in the second-tier Chinese cities, as the owners of land resources, possess a dominant in the local growth coalition because they are the stakeholders who have the final say regarding the land use plan and the allocation of land resources. Therefore, I agree with Lauria (1997)' s opinion, and I believe that the regime of accumulation in the second-tier Chinese cities, centred by the municipal governments, is the mechanism that comprises social institutions (municipal government, state-owned enterprise, and private developers) and social relations (the way the governing coalition runs). In addition to that, my study fills in the literature gap of how the local growth coalition functions against the backdrop of the neoliberal second-tier Chinese cities with strong socialist characteristics. Even though the neoliberal trend has struck a global impact, how the influence of orthodox neoliberalism reaches the grassroots/local level depends on the actually existing neoliberalism in different regimes.

State and local politics are part of the mode of regulation within a particular accumulation regime: for example, the state is part of the Fordist regime of accumulation. The particular method is that “state stabilizes production and demand through the provision of Keynesian economic management, stabilizes consumption through the provision of forms of service/welfare state, and stabilizes fiscal policies and wage relationships through bargaining and corporatist politics” (Lauria, 1997, p. 6–7).

Lauria (1997) compares urban regime theory and regulation theory. He (1997) argues that regulation theory and urban regime theory could complement each other because they have complementary strengths and weaknesses. For example, urban regime theory is unable to theorize the relationship between local agents and a broader institutional context. And regulation theory neglects local actors so it is unable to explain the concrete construction of “regulatory mechanisms” (Lauria, 1997, p. 8). In retrospect, urban regime theory, tying to “casual relations and relational choice theory,” overlooks the value of “extra-metropolitan spatial scales.” In contrast, regulation theory (causality) overlooks the “spatial variation of material and discursive practices,” and it is more about “extra-local political and economic influence, relating to the reproduction of capitalist relation” (Lauria, 1997, p. 31). Urban regime theory thus combines with regulation theory to formulate the hegemonic bloc and historic bloc (theory of practice), capable of explaining long-term local economic development.

#### 2.2.5. The Regulating Regime with Chinese Characteristics

In the article “Concrete Research, Urban Regimes, and Regulation Theory,” Goodwin and Painter (1997) specify that the reproduction of capitalist relations is an uneven process. Regulation theory is a means to explain this uneven pattern. The theory “explains spatially and temporally uneven production of capitalism” (Goodwin & Painter, 1997, p. 18). It is a sensitive process that needs to have a certain degree of “complexity and concreteness” (Goodwin & Painter, 1997, p. 18). The mode of regulation (such as Fordism) is part of regulation theory; and the mode of regulation

refers to the change in the capital-labour relationship, the implementation of Keynesian demand regarding “management policies and the emergence of a social norm of mass consumption for manual workers” (Goodwin & Painter, 1997, p. 18).

Goodwin and Painter (1997) explain that regulation theory views regulation as a process through time and across space so that it would be easier to cope with “temporal and spatial variability” (Goodwin & Painter, 1997, p. 21–22). And since the regulatory process is the result of social practice, it is crucial to understanding the concrete context of practice. Moreover, social practice constructs institutions and urban governance as a site of regulation.

Goodwin and Painter (1997) also illustrate that in order to understand the development of the practice of regulation, one must understand the geographies of regulation. And it will be easier to show the holistic picture of geographies of regulation if we put the analysis of regulation into more detail. The authors (1997) specify that regime theory could emphasize how regulation theory operates under the context of a more complicated urban governance system. Regime theory is more capable of highlighting the new forms of network and public-private partnerships and letting them become part of urban governance (Goodwin & Painter, 1997). Moreover, regime theory makes local government’s intervention more prominent, especially in the spheres where private sector actors play a more critical role (Goodwin & Painter, 1997). So this type of research on the urban regime is an institutional and practical response to the failure of Fordist regulation and the role of uneven development (Goodwin & Painter, 1997). Understanding the actions of the urban regime and



regulation theory is helpful in conceptualizing the organization and actors of the urban regime.

Compared with the North American experiences of urban redevelopment politics and social norms, Chinese cities' development path and political, cultural, and social system are utterly different from the U.S.'s situations. The Chinese municipalities' regulation routines have shown complexity and concreteness amid the process of regulating waterfront redevelopment projects. For example, as the owners of land resources, Chinese municipal governments have enormous decision-making powers, and they have the final say at each waterfront redevelopment activity. Local governments in China have acted in ways demonstrated by regulation theory and the regulating process with Chinese characteristics in managing waterfront redevelopment projects: the public sectors and state-owned enterprises have played a decisive role. Especially against the context of the neoliberal shift and the collapse of Keynesian-Fordism, the regulating process with Chinese socialist features facilitates social transformation.

#### 2.2.6. Contingent Formation of Growth Coalition

In the case of Qingdao Olympic Sailing Centre, the growth coalition's formation is contingent rather than rational. (The concrete formation process is introduced in Chapter 8.) The growth coalition's contingent formation displays the complexity of Chinese capitalism's structure and the uniqueness of different regions.

In the article "Spatial Structures of Regulation and Urban Regime," Feldman (1997) compares urban regime theory and regulation theory's main features. Feldman

(1997) argues that regime theory takes into account local urban development policy, so the essence of the theory is political. Also, regime theory is related to development politics and the governing coalition dominated by business people. Regime theory, moreover, explains how the growth coalition shapes local urban development policy. Feldman (1997) believes it is more appropriate to see regime theory as economic politics than political economics. What is more, regime theory emphasizes how political coalition governs, though it does not theorize the link between broader institutional contexts and local agents. Thus, regime theory underestimates the importance of linkages between local actors and broader institutional contexts (Feldman, 1997). Feldman (1997) believes that regulation theory focuses more on the broad epochs in capitalist history and the large-scale regulatory process, and it emphasizes contingency. Nevertheless, neither regulation nor urban regime theory does an excellent job in explaining spatial scales or describing the geography of capitalism. Painter (1997) believes that regulation theory can reconstruct urban regime theory to formulate the theory of practice by using regulation theory to absorb the urban regime's impacts on local economies and using *habitus* to problematize and question the key concepts in Stone's regime formation theory: rational choice theory and selective incentives. Moreover, Feldman (1997) introduces a new definition of the spatial structure of regulation to emphasize the regional characteristic of capitalism and enhance capitalism's complexity. Qingdao's redevelopment coalition's success depends on its unique cohesion between the local municipal government and the state-owned development corporation/private developer. And this is in contrast with

the more market-oriented development schemes in Shanghai (Wu, 2009). In Shanghai, the dynamics of the urban redevelopment coalition are more like their counterparts in the U.S., where private developers have a greater say. The uniqueness of the Qingdao Olympic Sailing Centre's development regime reflects the capitalistic characteristics and complexity of the region.

#### 2.2.7. Hegemonic Bloc, Historic Bloc, and a Stable Development Regime, Municipal Politics and Transitioning Regime

The formation of a growth coalition in the case of Qingdao Olympic Sailing Centre reflects a local hegemonic bloc formation. To be specific, this shows that physical development is gaining momentum and that close political and business ties have propelled the social coupling that generates economic profits brought by the formation of the social management model and the establishment of a social accumulation regime.

As a social relationship, this kind of political business alliance has a stable role in crisis management. It can also be used as a spatial fix to stimulate local economic development and retard disinvestment.

In the article "A Neo-Gramscian Approach to the Regulation of Urban Regimes," Jessop (1997) states that regulation theory, transformed by the neo-Gramscian approach, can fully analyze regime theory as the combination of "political society and civil society, of government and governance, of hegemony, armoured by coercion" (Jessop, 1997, p. 51). Jessop (1997) continues to argue that the formation of regimes is correlated with the formation of the local hegemonic bloc (power bloc) and historic

bloc (accumulation regime/mode of regulation), thus as the theory of practice capable of explaining long-term local economic development.

The neoliberal spatial fix is an ideological response to the 1970s Fordism crisis and how city growth coalitions revive real growth in the urban economy. The root of Fordism's crisis can be traced back to the essence of capital. Capital consumes the geographical landscape and transforms it at the same time, which is determined by its inherent nature. Thus, the territorial capital organization is always unstable. The Fordism crisis means the previous territorial organization that supported the Fordism regime of capital accumulation needs to be reconstructed to forge a new configuration of the neoliberal territorial organization for underpinning a new round of capital expansion. The capitalist restructuring leads to the conflictual interaction between older geographical order and neoliberal production of space to generate new territorial formation. And this process exemplifies the path dependence feature of actually existing neoliberalism (Brenner & Theodore, 2002).

The crisis of the reconstructing of territorial organization and the hypermobility of the nature of capital reflects the regulationist approach's necessity. Regulation theory's condition is that the complex capitalist social relations are always full of conflictions, contradictions, and risks. These inherent characteristics of the capital accumulation regime could result in systematic failures, collapse, and breakdown. Therefore, people need regulation theory to mitigate these crisis tendencies and facilitate the expansion of capital reproduction, which means that the general

population needs regulation theory, and the economic relations need regulation to facilitate economy.

The case of the redevelopment of the Qingdao Olympic Sailing Centre exemplifies how the municipal politics thrust the transition to the post-industrial service-oriented development from Fordism's collapse.

In the article "City Politics in an Era of Globalization," Leo (1997) evaluates regulation theory and how the "large-scale production of manufacturing" under the context of Fordism shifts to "customized small-batch production of post-Fordism" by analyzing the changing of global/local politics (Leo, 1997, p. 81). In the case of the development of Qingdao Olympic Sailing Centre, municipal politics is the major propelling force promoting economic restructuring from heavy industries to service industries in urban centres.

#### 2.2.8. External Sources of Capital and Expertise and Local Development Regime

Amid the redevelopment of Chinese eastern coastal cities, the connection to external sources of capital and expertise, including Hong Kong capital, is the essential financial underpinning of the redevelopment projects across the nation. The external sources of foreign capital eventually have an important impact on the urban outcomes by becoming part of the local development process and the eastern coastal cities' local regime. This happened in many eastern coastal cities, including Qingdao.

##### 2.2.8.1. The Definition of Globalization

According to Olds (2002), the development of a city's spatial structure is highly related to current globalization trends. Globalization can be further defined as the

globalization of flows, a network of space characterized as some forms of ordering that facilitate the transfer of “rationalities, technologies, living beings, and physical properties” (Olds, 2002, p. 9). Moreover, the local authorities worldwide could carry out governing decisions through globalization networks to gain mobility of production factors. So the global space of flows is controlled by the network actors located within the cosmopolitan and international network of global cities. Olds (1997) also mentions that globalization has two dimensions: scope and intensity, which refer to the intensification on levels of “interaction, inter-connectedness or interdependence between the states and societies which constitute world community” (Olds, 1997, p. 110). In the cosmopolitan Chinese cities such as Beijing and Shanghai, investment process or social policy reform process are increasingly determined by international institutions (Olds, 1995). In turn, the Chinese institutions are increasingly cooperating with these institutions in global cities to channel and facilitate global flows of capital and information. Nevertheless, Olds (1995) indicates that the global flows are not homogeneous because their characteristics are complexly multilinear and naturally uneven. In addition, these global flows are becoming more and more deterritorialized, which means that they are detached from their original local and national settings and integrated into the new local ideologies (Olds, 1997).

#### 2.2.8.2. The Hong Kong Capital

In the Pacific-Asia rim region, Hong Kong investors play a key role in facilitating capital flows to the cities in the region, including Vancouver and Shanghai. One of the key investment characteristics of the external capital from Hong Kong is that they

propel their investment initiatives through the network of extended social relations (Olds, 2002). In a word, the social and financial networks of overseas Chinese play a critical role in restructuring real estate development activities in the Pacific Rim region. The Chinese diaspora's complex worldwide social network is the key resource to accessing financial support for urban redevelopment projects, and its way of doing business is famous for the preference for "deal-making" in real estate trading activities (Olds, 2002). Overseas Chinese business networks have become major players in the contemporary development of property markets worldwide (Mitchell & Olds, 2000). The Chinese diaspora property entrepreneurs have formed network capital, which underpins their global reach and helps them weigh overseas investment options (Mitchell & Olds, 2000). Additionally, social relations are a key factor in facilitating long-term and inter-firm connections to bind the flexible global production networks. The overseas Chinese business network is the most important vehicle to propel the world property market's globalization process because it facilitates the extension of property investment flows across space (Mitchell & Olds, 2000). After the opening of Shanghai's property market, the foreign capital flooded into Shanghai, reinforcing the social relations between Shanghai and the Chinese diaspora in Southeastern Asia. Among the sources of external capital, Hong Kong capital was the first to be attractive. And among all the cumulative contracted FDI flows into Shanghai, Hong Kong capital accounted for the majority: 55 percent (Olds, 2002). Accordingly, a large amount of capital was channelled into Shanghai's real estate market. Hong Kong investors also play a role as catalysts, and they facilitate the

participation of the service of Global Intelligence Corps (GIC) (Olds, 2002) in the international consultation planning process (LICP). Most external sources of capital investment in China's eastern coastal cities since the 1980s came from Hong Kong, Taiwan, and global pension funds (Olds, 1995). There was also some overseas Chinese (such as Thai Chinese) capital investing in the eastern coastal cities. Thus, many eastern coastal cities' governments such as Shanghai's could access concession funds from foreign banks and sources for its projects (Olds, 1995). International investors from different backgrounds therefore can participate in worldwide speculative activities such as large-scale commercial property development (Olds, 1995). The Chinese property markets have also become increasingly integrated into the world economy's fluxes and regional development process (Olds, 1995). Similar to Shanghai, Hong Kong and overseas Chinese capital also invested in Qingdao, including in the Olympic Sailing Centre. The Shangri-La Hotel in the Olympic Sailing Centre business circle, one of the most high-end hotels in the city, received investment from the Malaysian Chinese businessman Robert Kuok. To honour the overseas Chinese investors and further attract investment from them, in 1997, the Qingdao municipal government renamed the main street of the city Hong Kong Road. Moreover, the overseas Chinese business community was impressed by the administrative efficiency of the Qingdao municipal government. In a TV show, Kuok recalled how efficient the investment department of the Qingdao municipal government had been. He mentioned that it only took the investment department of the Qingdao municipal government one day to complete all the necessary permits and



documents for his investment in the Shangri-La Hotel. In terms of the efficiency of facilitating investment, the investment attraction department of the Qingdao municipal government has left a deep impression on overseas Chinese businessmen.

#### 2.2.8.3. Beyond Hong Kong Capital: Support from International Organizations

Beyond Hong Kong capital, there was also the Asian Development Bank (ADB)'s participation in Pudong's redevelopment initiative's initial funding. The World Bank also contributes to the overall financing plan as an essential portion of the international idea (Olds, 1997). In summary, more than half of Shanghai's development funding was foreign direct investment (FDI) (Olds, 2002). The most important incentives for attracting the foreign investment flows, including the funding from Chinese diaspora and international organizations, were tax incentives, imports of equipment, export-oriented production, tertiary enterprises, and long land leasing (Olds, 2002). And the major projects in Lujiazui (Shanghai) invested in externally (ADB, World Bank, and Hong Kong capital) mainly lie in infrastructure: Yangpu Bridge, Nanpu Bridge, two subway lines, Huangpu Tunnel, Waigaoqiao Port Upgrading, and Pudong International Airport.

#### 2.2.8.4. GIC's Participation in Shanghai

Professional architectural knowledge is an invaluable global asset (Olds, 2002). In the case of Shanghai's Lujiazui redevelopment initiative, not only the foreign investment from Hong Kong is significant, but also foreign architectural design experts have made great contributions to the design and planning of Lujiazui (Olds, 2002). The foreign "Global Intelligence Corps" (GIC) are really the pioneers of

globalization, and they eventually become part of the local development regime through their contribution to designing and planning of Lujiazui's master development plan. Since the GIC helps localities improve their city's image to meet the standards of international investors, they indirectly help the municipalities boost the local and regional economy and regenerate the city (Olds, 2002). To be specific, the GIC (such as Richard Rogers Partnership) provides global flows of images and expertise for the urban mega projects in the Pudong area, and was supported by its client, the Shanghai Municipal Government (Olds, 2002).

#### 2.2.8.5. GIC's Participation in Lujiazui, from Shanghai Government's Perspective

From the Chinese (Shanghai) side, most of the technocrats used to work or study in Shanghai before the 1949 revolution; therefore, they understand how to cut deals with western firms and GICs (Olds, 2002). The professional and social relations formed by Parisian and Shanghainese politicians were the foundations that drove the participation of the GIC into designing Lujiazui (Olds, 2002). Moreover, the Shanghainese politicians' personal leadership, such as Rongji Zhu, also promoted the introduction of foreign expertise and technology. Zhu believes that Lujiazui needs a strong international profile and foreign involvement. Thus, non-Chinese advice is necessary in Zhu's mind, as seen when he states that "outsiders sometimes have greater wisdom because they can look at things from the outside" (Olds, 2002, p. 204). So the non-Chinese design experts, the GIC, are an essential part of the Lujiazui International Consultant Planning Process (LICP) (Olds, 1997). In summary, Zhu's support is the key factor that facilitates the involvement of international planning

assistance, which is how LICP was born. In April 1991, Zhu signed an agreement with French government officials to receive planning support from the French side officially. French officials also worked with Shanghai academic officials (SUPID) to propel the birth of LICP (Olds, 2002). Amid the redevelopment scheme of Qingdao's Olympic Sailing Centre business circle, the Shanghai experience was regarded as a benchmark. As I mentioned elsewhere in this thesis, the municipal communist party secretary from twenty years ago, Yu Zhengsheng, is from Shanghai. And in the 1990s, there were some capable and visionary cadres from the Shanghai region in the Qingdao municipal government (through delegation or exchange programs). Their experiences and visions in city planning and construction had greatly helped to facilitate the Olympic Sailing Centre's redevelopment process.

#### 2.2.8.6. GIC's Participation in Lujiazui, Becoming Part of the Local Development Regime

The existence of the GIC reflects the creative destruction of global capitalism (Olds, 2002). The global city development regime incorporates the international capital providers and the experts who offer professional expertise in terms of designing and facilitating the development process. Furthermore, the GIC makes "global city discourse" available and ensures that city development is in a market-friendly environment (Olds, 2002, p. 33). The GIC also functions as a counselor to advise the local authorities to construct urban mega projects that attract international investors. Consequently, the urban mega projects come to be where the global control functions and the channel of capital flows (Olds, 2002). The GIC's

primary role was facilitating the growth of foreign direct investment flows into the built environment and promoting the tertiary industries in the cosmopolitan global cities through constructing urban mega projects (Olds, 2002). Thus, urban mega projects have a huge impact on the world economy. GIC and LICP involvement in Shanghai's Lujiazui's design has a huge whitewashing and image effect because this shows the successful result of China's open policy. The monumental symbolic effect needs to be expressed in the form of foreign involvement (Olds, 1997). As mentioned earlier, the French GIC was invited by Rongji Zhu as a thrust to Shanghai's Lujiazui's overall design. The French side attached great importance to this matter because they realized this was the first time in China's post-1949 history for such large-scale foreign involvement in its engineering projects. The international consultation process was very symbolic, and the French GIC felt quite honoured to be part of the scheme. And the French government was optimistic that this would open the door for French enterprises after the construction of the Lujiazui International Financial Center (Olds, 2002). During this international consultation process, the French side inserted their image-improving expertise, and the Shanghainese technocrats also studied Paris as a global reference point. As well, a member of the international GIC, Roger Firm, very much appreciated the Shanghai government as a client for its "truly visionary manner" (Olds, 2002, p. 211). In contrast, Zhu believes that the international consultation process should be regarded as a social learning process to shock Shanghai bureaucrats' out-of-date minds with the foreign scholars' creative thinking (Olds, 2002). The international consultation process provides foreign experts with

unconstrained creative options, so this could enhance the international profile of Pudong.

The international GIC has truly become a pivotal part of the local development regime because it connects Shanghai with global capital and technology. Lujiazui is an ideal city that brings together the new political, economic, and social knowledge of the present age. According to Olds (2002), the design of Lujiazui is “superior architectural logic [that] has meshed with superior developmental state logic in the aim of transforming Shanghai into a twenty-first-century node for international finance” (Olds, 2002, p. 206). With the help from the GIC, the Shanghai municipal government’s ambition of building a twenty-first-century international financial centre for Shanghai, providing Shanghai with the means for a new economic boom, and making it one of Asia’s major money and trade markets, has been achieved (Olds, 1997). Moreover, the involvement of the GIC helps the Shanghai municipal government further leverage foreign direct investment because the GIC guides power financial flows to the eastern coastal Chinese cities. The goal of the whole Lujiazui project is to build an ultramodern international financial centre, a base for the development of advanced financial industries, which will usher in the post-1978 Chinese neoliberal reform and the growth of the Chinese economy.

#### 2.2.8.7. GIC: Official Part of the Local Development Regime

Additionally, the GICs need their clients to become professional elites to establish their international social networks (Olds, 2002). Olds (2002) explicitly evaluates the seven means that the GICs use to establish interpersonal relations networks. To

achieve the goal of weaving their international social networks, the GICs usually work closely with other international associations such as media, professional organizations, and other municipal governments (Olds, 2002). Moreover, the GICs rely heavily on global cities because most of their work/projects are acquired from transnational corporations whose headquarters are generally located in the global cities (Olds, 1995). This is exactly why architects are becoming part of the local development regime, whose networks and institutions are located globally. Moreover, since the progress of Deng Xiaoping's economic reform and the increasing linkages between Shanghai and the rest of the world, there were more and more foreign transnational corporations entering the Chinese market, and they were all looking for office buildings in Shanghai (Olds, 2002). Thus, the strong demand from the foreigners' side has made the GIC, who has expertise in how foreign business runs, part of the local real estate development regime.

#### 2.2.8.8. GIC: Acquiring Works in Pacific-Asia Rim

Since the 1980s and early 1990s, the European-based GICs started to acquire projects in the Pacific-Asia Rim. The Asian commercial property market was burgeoning at that time. One of the "sexy" investment destinations was China, where billions of massive commercial complexes, hotels, office buildings, and infrastructures are in demand (Olds, 2002). As the pioneers of global property investments, the GICs were actively involved in the infrastructure investment boom. From another perspective, the GICs in China play a significant role in facilitating the global flows generated by real estate investments into the Chinese market (Olds,

2002). To be specific, the local Chinese clients generally find the modernism design technique pursued by the GICs quite attractive because they connect local projects to the non-local world system (Olds, 2002). Especially in the Shanghai Lujiazui development initiative, Chinese state-owned enterprises and semi-autonomous enterprises hinge on the connection between Western GIC's enterprises and the city's modernization process. In many scenarios, the GICs disseminate their expertise to design for a modernism city model as modernism pioneers (Olds, 2002).

#### 2.2.8.9. Historical Context

It is necessary to emphasize the historical context of the reform era, when the Lujiazui Redevelopment Initiative happened. The GIC plays a significant role in planning Shanghai's new international financial centre. The GICs were invited to reshape the spatial structure of Shanghai after Deng Xiaoping's neoliberal reform. Participation of the GIC in this redevelopment initiative is an indicator that reform is open to western capital and expertise. Shanghai's property market started to open to the global flow of capital. One of the most important goals of Lujiazui's reform is to encourage the inflow of FDI that will flood into the Chinese property development market in the coming decades (Olds, 2002).

Basically, globalization means opportunities for external capital sources like Hong Kong investors. They reorganize the "intersecting, overlapping and unconnected global flows" through investment activities, travelling, and networking (Olds, 2002, p. 322). Like the Chinese diaspora tycoons and professional architectural elites, these global actors work together to reinforce the transnational cultures and

develop holistic know-how as it regards investing in the spatial structure of cities in the globalization era (Olds, 2002).

### **2.3 Financing the Urban Redevelopment Projects**

The third research question I am trying to answer: *What financial instruments are available for the redevelopment projects? What market ways of mobilizing land resources are used to finance the waterfront redevelopment projects in Chinese port cities?*

Financing in reform China (post-1980s) also involves external financial sources (Wang et al., 2011). The concrete examples of off-budget financial instruments include user charges and revenue bonds issued in the capital market (Wang et al., 2011). Chinese municipal governments prefer off-budget financial instruments because they facilitate capital accumulation in a market way so that the financing task can be accomplished by market through public financing initiatives. Market investors can thus recoup their investment through incomes generated from the operation (Wang et al., 2011). Since the 1980s, market-based financing has become a significant source of funding for urban redevelopment projects in Chinese cities. The first batch of cities that started to sell state-owned land use are Shenzhen, Guangzhou, Tianjin, and Shanghai (Wang et al., 2011). Generally speaking, the urban infrastructure financing is featured by collecting taxes (urban construction and maintenance tax, real estate tax, and resource tax), collecting administrative fees and charges (funds for utility capacity improvement, user charges for public utilities, and water resource



fees), and collecting self-raised funds (domestic non-state investment) (Wang et al., 2011). In addition, the post-reform alternative sources of urban infrastructure financing in Chinese cities include innovations like conveyance fees and fiscal concession in economic development zones (Wang et al., 2011). The newly developed sources of financing are used to support high-class roads and constructing infrastructures (Wang et al., 2011).

To prepare to answer the research question, this section (2.3) examines the fundamental concepts of financing the urban redevelopment projects. I summarize just a few of the many financing tools used by American urban planners when they initiated redevelopment projects in American cities. The two major concepts are: (1) the Housing Act of 1949 and eminent domain and (2) concrete off-budget financing and tax increment financing strategies.

### 2.3.1. Housing Act of 1949 and Eminent Domain

The first definition I have been working on is the facts of the Housing Act of 1949 and eminent domain. The former is the legal basis for the latter. The Housing Act of 1949 was the legislative mandate of federal funding for urban redevelopment programs until the 1970s (Van Vliet, 1998). The program's rationale was the elimination of slums but, increasingly, urban redevelopment became its goal. Weber (2002) argues that, according to the act, blight becomes the new standard of creative destruction. The Housing Act of 1949 provided appropriations for public housing and for local redevelopment authorities to purchase and clear slums, then resell the cleared land to private developers at a below-market price (Van Vliet, 1998). The federal

government would pay two-thirds to three-quarters of the net cost for purchasing and clearing the blighted sites, and the locality paid the remaining one-third to one-quarter. Title 1 of the 1949 Housing Act does not have any regulations for replacement of low-income housing, nor does it provide any funds for public housing construction (Van Vliet, 1998).

The Housing Act of 1949 is also associated with property-led economic development (Wolf-Powers, 2005). The funding of redevelopment projects in central cities that urban development coalitions initially drew upon before the 1974 federal cutbacks were through the 1949 Housing Act. Title 1 of the act possesses some historical meaning in terms of slum clearance and urban redevelopment (Critchlow & VanderMeer, 2012). It provides federal funding for clearance of significant sites and resells the lands to private or institutional investors for developing. However, the act only seizes land for slum clearance; it does not do anything for the replacement of housing destroyed. The act was criticized for tipping the balance too much toward interested groups (Critchlow & VanderMeer, 2012; Van Vliet, 1998). In China, the government's take-over of civilians' properties used to be expropriated without proper compensation. But recent years, China's "new-type urbanization" emphasized sustainable development and community participation in urban redevelopment. For example, in Guangzhou, redevelopment projects cannot proceed without a certain percentage of owner households (~60%-70%) signing redevelopment agreements and appropriate compensation.

### 2.3.2. Off-budget Financing and Tax Increment Financing

The second concept I have been primarily focusing on is off-budget financing and Tax-Increment Financing (TIF). In order to cope with the financial demand of waterfront redevelopment projects in central cities, the public redevelopment authorities would first draw upon their own local resources, which include city funds that are constituted by tax-exempt borrowing (city general obligation bonds, industrial revenue bonds, and tax increment bonds), city budget allocation (CDBG, for example), and redevelopment agency equity investment (Sagalyn, 1990). Accordingly, Hackworth (2007) indicates that the municipalities raised debt to issue municipal bonds for private sectors to provide tax-exempt financing for them. Public equity also includes intergovernmental grants that entail federal categorical aids and UDAG money (Sagalyn, 1990). Furthermore, the city general obligation bond is a common type of municipal bond. Generally, it is debt bonds, but sometimes it is a tax-increment bond when being used for tax-increment financing (Krohe, 2007). Industrial revenue bonds use the project revenues as collateral to issue revenue bonds, which is politically covered. And the tax increment bond could be used when declaring a tax-increment district. Tax increment bonds are used to borrow against the future tax increment generated from the property (Van Vliet, 1998).

What is more, the public redevelopment authorities could cut deals with a private developer to privatize the financialization process of waterfront redevelopment projects (Sagalyn, 1990). Namely, there was a trend of financialization in the field of economic policy and social policy (Peck & Tickell, 2002). This new partnership

between the private and public sectors is also emerging in Chinese redevelopment projects. For example, one paradigm of the deal-making relationship between the public sector and private developers is to come to the term of a profit-sharing agreement. The loan payback is a method used by the public sector for their portion of financial commitment. The public sector finances the redevelopment projects in the form of lending the loans to avoid directly donating the public fund as public share of projects funds (in fact, it is in the form of invisible public share). Therefore, the loan (very often UDAG money) is banked at the private developers' side and reserved for future project funds as a form of repayment (Sagalyn, 2007). In this way, direct public investment is reduced, and voters' approval can be avoided. It also entices additional private investment because the loan paybacks include interest payments added on to the principal payment (Critchlow & VanderMeer, 2012).

The other way to conduct a framework of financial instruments for the redevelopment project is to divide it into two major components (budget financing and off-budget tools). Public redevelopment authorities can then rely on conventional sources of funding such as budget financing instruments, including debt financing (revolving loans, loan guarantees, interest subsidy borrowing, and tax-exempt borrowing) and equity financing that entail tax abatement or credit (repayment is not required, but due to tax exemptions for firms, the public stimulus could tease out reciprocal investment in the community/specified hiring practice) and the gross receipt tax credit (the gross receipt tax is on firm revenues—a form of corporate sales tax) (Teaford, 1990; Van Vliet, 1998). The corporate income receipt tax credits (the

corporate income tax is a tax on corporate profit) are based on how much investment is generated and how many employees are created. Other forms of equity financing also include grants or direct transfer (it does not require repayment either; it is also one type of equity financing). Lastly, a royalty agreement is similar to near-equity, but the difference is that near-equity is a private financing instrument (Hill & Shelley, 1990).

For the other approach, off-budget financing tools, we have evaluated most of the above. The tax-exemption bonds include general obligation bonds and revenue bonds (industrial revenue bonds and tax increment bonds) (Sagalyn, 1990). Other off-budget financial instruments include development exactions, tax on the spin-off impact on neighbouring property value (the rise in property value will have a spin-off effect on immediate parcels of lands) (Paetsch & Dahlstrom, 1990). Through the profit-sharing agreement, the public sector can use the project income as collateral and issue revenue bonds as the financing source for redevelopment projects (Teaford, 1990). The revenues from redevelopment projects include lease revenues, loan paybacks, landings, terminal rentals, and concessions (Sagalyn, 1990). The profit-sharing payment (specified rate and time of return on public investment, the public sector and private investors cut deals in terms of revenues generated from the projects) entails share in any mall revenues and in hotels and restaurant bills (tax on visitors to the city) (Altshuler & Luberoff, 2003). There are also different types of invisible public equity that include present value subsidies (hidden-value subsidies trade, property-tax abatement, loans of public funds or lease of city property with the below-market term

and deferred payment). The other type of invisible public equity is a value-creating trade-off that includes value-creating density trade, tax collection: future tax increment, loan swaps, and lease on office buildings (Sagalyn, 2007). The present value subsidies and market way of mobilizing land resources are valuable evidence. They are evaluated with empirical materials in Chapter 5 to answer my research question II: the concrete off-budget financial instruments of urban redevelopment projects in Chinese port cities.

## **2.4 The Chinese Experiences of Neoliberalism, Urban Regime, and Growth**

### **Machine Theory**

He and Wu (2009) evaluate neoliberalism with Chinese characteristics, and they (2009) conclude that neoliberalism in China pursues a growth-first orientation. The wealth-generating mechanism and neoliberal market discipline gained momentum in North America and China because it provides the fundamental framework for integrating into globalization, state restructuring, and rescaling against different national and regional backgrounds (He and Wu, 2009). Moreover, He and Wu (2009) indicate that China's engagement with neoliberalism or neoliberalism with Chinese characteristics reflects the integration of the strong capitalist globalization and China's inherited institutional landscape.

He and Wu (2009) illustrate how marketization reforms were implemented in urban China. And they (2009) contend that the power of the market, rather than the state's intervention, is transforming Chinese cities' urban spatial structure. Across the context of globalization and China's transitioning economy, the competition between

different regions becomes more intense, meanwhile, the cooperation is widening. In a word, collaboration and interest conflicts between different stakeholders coexist in China's metropolitan cities nowadays. Nevertheless, the goals of these conflicting interests between different groups are all aimed to promote the growth-first goal (He and Wu, 2009).

According to Hackworth (2007), Peck and Tickell (2002), and Brenner and Theodore (2002), in the 1970s, the goal of American neoliberalism was to make it an ideological rejection to the Keynesian-Fordism in the central/federal level. And in the local level, the western cities were adopting neoliberal growth-oriented strategies to fight stagflation. Therefore, even though both Chinese and western neoliberal turns are to facilitate growth, the Chinese neoliberal development strategies kept silent regarding the total rejection of Keynesianism and inherited a more profound path dependence feature of macroeconomic intervention.

The above Chinese scholars' research (and most available researches on Chinese neoliberalism) failed to discuss the Chinese Keynesian-Fordism regulatory landscape during the pre-open door policy area. In order to complement the existing literature, my study explicitly evaluates the pre-reform Keynesian-Fordism industrial relics, filling the gap of how the Keynesian-Fordism strikes an impact on the subsequent emerging neoliberal economic formats.

The elements of the Chinese neoliberal trend include commodification and privatization of the land market. And the fierce competition between different urban areas is transforming spatial and social space in China. What is more, the

commodification and privatization of the housing market results in the change of Chinese cities' landscape and facilitates rapid economic growth. Therefore, the Chinese municipal governments could reap the benefits of the emerging real estate markets and promote land-based economic growth to win the territorial competitions between different regions (He and Wu, 2009).

Thus, the neoliberal shifts have fundamentally restructured the institutional regulatory landscape and the urban spatial architecture in China. Neoliberal urbanization is emerging, featured by the revitalization of neoliberal urbanism and a quick process of city-oriented capital accumulation (He and Wu, 2009). Hence, the Chinese neoliberal reform is a market-centred reform under the pre-market framework.

Specifically, the major characteristics of China's emerging neoliberal urbanism include the devolution of decision-making power downward to local state authorities and the commodification and privatization in the land and housing market. This has reduced the costs of providing public service and provides new sources of capital accumulation for the private sector (He and Wu, 2009). In China, land and housing reform propels the commodification of urban land and housing and the privatization of public service provision. Thus, commodification and privatization have formulated a regime of capital accumulation that has been formed to facilitate economic and urban growth. The Chinese society transforms itself from an egalitarian society featured by low production, low wages, high state welfare, and high state expenditure



to a post-industrial society featured by just-in-time production, high wages, low welfare, and low expenditure (He and Wu, 2009).

All in all, China's current neoliberal urbanism is utterly a neoliberal reform under cover of socialist urban governing in the name of people. The Chinese actually existing neoliberalism emphasizes the roll-out of neoliberal state rebuilding to ensure the optimal conditions for the market system. Nevertheless, the state did not have a roll-back neoliberal destruction process for the previous existing Keynesian-Fordism artifact but rather played an interventionist role in manipulating & supporting the Chinese neoliberal process (He and Wu, 2009). For example, neoliberal flanking system (the neoliberal market-supporting system) is established to propel the institutional transformation for a better market system through the provision of government support and service. Therefore, China's actually existing neoliberal redevelopment is a hybrid product of market ideology and state ideology (He and Wu, 2009).

In addition to that, contrary to the western neoliberalism pursued by the American and European governments (Brenner and Theodore, 2002) and studied by the western scholars (Peck and Tickell, 2002), China did not go through extensive roll-back destruction of the Keynesian regulatory landscape, but instead directly leaped forward to roll-out state rebuilding, unlike the orthodox European neoliberalism or America's actually existing neoliberalism (Brenner and Theodore, 2002). The existing Chinese geography literature fails to build the transition from the roll-back destruction of Keynesian-Fordism to the neoliberal roll-out creation. Or we could say the Chinese

scholars omit the neoliberal roll-back destruction of the national state. My study contributes to filling this empirical and theoretical gap by evaluating the case of the dilapidation of Beihai Shipyard and illustrating how the blight of a Keynesian brownfield relic sets the foundation of further neoliberal post-industrial service-oriented revitalization.

Additionally, Hsing (2006), in her article *Land and Territorial Politics in Urban China*, also evaluates neoliberalism with Chinese characteristics. She (2006) explicitly discusses how municipal leaders gain urban land control under the threat of socialist land masters. Hsing (2006) finds that under the socialist legacy and state land tenure, China's urban land lease market has evolved around two sets of institutional actors: municipal governments and socialist land masters (Hsing, 2006).

Amid the competition for the city's unvacant land control, the municipal governments' success is due to three different factors: (1) the municipalities are politically prepared/capable of undertaking the top-down pressure from the socialist land masters. (2) The municipal governments could use their political resources to efficiently organize the fragmented sub-municipal units from inside to facilitate capital accumulation. (3) The municipal governments are morally capable of being the pacesetters of the market and protectors of socially disadvantaged groups to ensure their hegemonic legitimacy (Hsing, 2006).

Comparing with the American urban growth machine, the engine of the Chinese growth machine is the coalition and competition between different groups of stakeholders (Hsing, 2006). Moreover, the Chinese neoliberal decentralization is not

just about the level of central control and local autonomy but also about the process of wielding the local government's power given by the upper level of government (Hsing, 2006).

Hsing (2006) also states that local state independence is treated as a natural outcome of top-down fiscal and administrative decentralization policies in the literature. However, Hsing (2006) believes that whether the centrally granted authority can be transformed into the real power of municipal government is uncertain. In this research, Hsing (2006) has shown that decentralization as a granted policy scheme does not necessarily generate local municipal power. While the city government enjoys the devolved authority of urban land management, whether the municipal governments could actually transform this delegated authority into effective control of the urban land remains to be examined. That is to say, decentralization is not only about the level of devolved central control and local autonomy undertaken by the local government; also, it is about the local states' capacity to manipulate with granted power.

Stone (1989) does a comprehensive analysis of the regime building in Atlanta in the 1970s. And he (1989) believes that the most important stakeholders in the city's racial political governing regime are the private sectors---the rentier elites who possess slack financial and institutional resources. But this is contrary to Hsing (2006)'s opinion that the most important stakeholders in a Chinese city's political life are socialist land masters and the municipal governments. In order to fill the gap between the different viewpoints between the east and west and build a bridge to

rationalize Hsing's discourse, my study concretizes the specific regime-building process and adds a new significant stakeholder---state-owned enterprise. Comparing with Hsing (2006)'s discourse, my study is a bricks-and-mortar presentation of how neoliberal redevelopment governing coalition is formed in the second-tier Chinese cities.

Shin (2013), in his work *China's Speculative Urbanism and the Built Environment*, also evaluates neoliberalism with Chinese characteristics. Shin (2013) believes that China's urbanization has entailed a massive accumulation of the country's fixed assets through investment in infrastructure, facilities, and real estate properties. For example, since the 2000s, more than half of the fixed asset investment in Beijing went into the real estate sector (Shin, 2013). Therefore, urbanism in China conforms to what Michael Goldman has defined as "speculative urbanism (Shin, 2013)." The local and central governments are transforming China into an urban, industrial and modern country by financing infrastructure projects (Shin, 2013). The great mega-events, such as Beijing Olympic Games, are building the first-tier Chinese cities to be world-class cities (Shin, 2013). Therefore, urban redevelopment has become a key area of government intervention.

Besides, according to Shin (2013), the land leasing fees generated by the transaction of land use rights have chiefly contributed to government finance (Shin, 2013). Under the tax sharing system between central and local governments, the local government can retain most of the land-based revenues as extra-budgetary revenues.

Hence, this facilitates the grow-oriented municipal governments to seek more land revenues.

Furthermore, Chinese speculative urbanism includes real estate speculation and developmental projects that supply more than what can be consumed because city managers expect more civic demand to follow the speculative investment.

All in all, the key features of neoliberalism with the Chinese characteristics also involve the expropriation of rural and urban lands, the demolition of existing neighbourhoods, and the large-scale relocation of the existing residents. Heavy investment in the built environment in the real estate sector has been the most significant factor leading to the rapid macroeconomic growth in China during the past decade.

## **2.5 Summary of the Chapter**

The previous sections summarize the books I have been reading as the academic underpinning for the research. *The Regime Politics: Governing Atlanta 1946-1988* is a theoretical and empirical analysis of urban politics, power structure, and race relations of American cities, with acute emphasis on the central role of urban business elites, providing an academic framework for examining the dynamics of American city politics. *Reconstructing Urban Regime Theory: Regulating Urban Politics in a Global Economy* presents the necessity of reconceptualizing urban concepts through reconstructing them by other extra-economic higher-level abstractions and regulation theory. In *The Urban Fortunes: The Political Economy of Place*, Logan and Molotch describe and define growth coalitions and their impact on society. The book explains

how growth coalitions function together to carry out governing decisions to rebuild the American cities. *The Urban Growth Machine: Critical Perspectives Two Decades Later* offers a critical discussion of growth machine theory. *The Neoliberal City: Governance, Ideology, and Development in American Urbanism* is a theoretical description of the turn to neoliberalism and its consequences. *Spaces of Neoliberalism: Urban Restructuring in North America and Western Europe* offers theoretical debates on neoliberalism and city restructuring amid neoliberalism. *Globalization and Urban Change: Capital, Culture, and Pacific Rim-Mega Projects* provides sources of reference for the external funding to the Chinese cities' redevelopment mega projects. In addition to that, I present two major concepts related to the financing of urban redevelopment projects: (1) the Housing Act of 1949 and eminent domain and (2) off-budget financing and tax increment financing (TIF). In addition to that, I have also summarized the Chinese experiences of neoliberalism, urban regime, and growth machine theory.

The topics are covered in the following section and include interviews and research design (the overall organization of the research effort, for example), why I selected the six interviewees (their uniquenesses), how I recruited/interviewed them (each interviews' content and specific situation), result analysis, and why the interviewees said that and what I can learn from that.

### **3. Methodology: Constructivist Grounded Theory, Case Study and Interview**

In this chapter, I reveal the main methodologies of my research, which are constructivist grounded theory and case study. Then, in the following paragraphs, I examine the case study as part of the research design.

#### **3.1 Methodology of Research Design: Constructivist Grounded Theory**

This study adopts the constructivist grounded theory as the research methodology (Charmaz, 2006). Constructivism refers to a research method that denies the objective existence of reality (Mills et al., 2006), and constructivists believe realities are constructed by social minds (Guba & Lincoln, 1989). Moreover, constructivism stresses the relationship between researchers and participants and the construction of meaning (Pidgen & Henwood, 1997; Hayes & Oppenheim, 1997). Grounded theory is a kind of methodology trying to construct a theory about the important problems in people's lives (Glaser & Strauss, 1967; Glaser, 1978; Strauss & Corbin, 1998). Data collection and subsequent analysis can help researchers conceptualize theories based on case experiences (Mills et al., 2006).

Therefore, the primary reason I am using constructivist grounded theory is that there are no prior theories or principles that can be used to generalize the experiences (Mills et al., 2006) of the financing and growth-coalition building of waterfront redevelopment projects in Chinese port cities. Moreover, constructivist grounded theory can be used to collect data and generate new waterfront redevelopment theories through participant interviews. Namely, data is collected for conceptualizing these theories (Glaser, 2002). And this theoretical approach can help me to summarize these

abstract concepts through practical observation during data collection and analysis, which allows me to develop an overall hypothesis regarding the development of coalition building and financing from practical experiences.

In addition, constructivist grounded theory can be used to guide data collection and analysis (Mills et al., 2006). This method is the most popular and common version of contemporary grounded theory (Charmaz, 2006). Moreover, this theory does not only contain grounded theory's original methodological strategies but also transforms its epistemological basis to consider the methodological development of qualitative research, which means that I could transform the study to develop new qualitative theories based on the methodology. So this is one of the most important reasons I adopt the constructivist grounded theory.

What is more, the grounded theory of constructivism provides a wide range of guidelines and principles, not limited to the collection of formulaic data and analysis. The advantage of this approach is that it provides flexibility for research design while providing a general framework for data collection and analysis. This is another reason why I selected the constructivist grounded theory.

Furthermore, the constructivist grounded theory emphasizes the construction of philosophy rather than the exposition of the known theory. The background of this study is to use a research methodology to provide strategies to analyze data and build a theoretical framework. Choosing constructivist grounded theory as the research methodology is conducive to a comprehensive analysis of the stakeholders in the construction of the Olympic Sailing Centre project growth coalition. Moreover, it



focuses on the interaction between public authority and private sector, as well as how to carry out market-oriented transactions on the surrounding lands to recover the investment.

In the next section, I explain the idea of the case study as part of my methodology.

### **3.2 Methodology: Ideas of Case Study**

In *Case Study Research and Applications*, Yin (2018) evaluates the research study's design. Yin (2018) generalizes the key components of designing a case study research: a case study's questions, its propositions, its cases, the logic linking the data to the propositions, and the criteria for interpreting the findings.

In order to formulate the pertinent case study questions, Yin (2018) suggests three essential steps to follow, the first of them a narrowing down of research interests and not considering other research questions. Second, he suggests closely scrutinizing several case studies that are within my research interests, and then ascertaining the key research questions to summarize what could be used for future case studies. This is important because the bullet points I summarized could further inspire me in many ways to select my research questions. Third, he suggests evaluating some case studies on the same topics to further deepen my understanding of the specialized knowledge and help me develop in-depth research questions (Yin, 2018). He explains how to formulate a study proposition to reach the study object properly, and he emphasizes exploratory studies (Yin, 2018). In Yin's (2018) discussion about the third component in designing a case study—its cases—he introduces a case that involves two major

steps: defining the case and bounding the case. In “defining the case,” Yin (2018) explains that the case study could be a person or an entity. And the investigator could also design specialized questions and study propositions to help gather pertinent information. Besides that, Yin (2018) emphasizes that different types (geographical locations or categories) of cases are easily defined, and they will affect the data collection and the research questions raised by the investigator. Moreover, the case study’s tentative definition could originate from how you develop your initial research questions (Yin, 2018). Once the case study topic has been decided, the researcher proceeds to bound the case. Yin (2018) defines the boundaries of a case as the selection of a topic for my research study. The process’ essential components are first to identify the key research questions that I will mainly investigate, and then to raise the proposition to be studied by my case study.

Case studies’ role is to facilitate my understanding of the post-industrial waterfront redevelopment in Chinese port cities. The way to master the topic is to be familiar with some concrete cases in the area of expertise. The practical knowledge and lore are the centres of specialized learning, and case study is a learning method. According to Flyvbjerg (2006), case knowledge provides practical learning experiences. Thus, it is critical to human learning experiences. The highest level in the learning process is virtuosity and expertise. And there is only one way to reach that level of virtuosity and expertise, which is through case studies learning and studying rule-based knowledge (Flyvbjerg, 2006). What is more, the case study reflects real-life situations, and researchers must use case studies to develop the skills needed

to do good research. If researchers want to develop their skills to a high level, the case study is central to their research design. Beyond that, a case study can minimize the ritual of academic blind alleys (Flyvbjerg, 2006). As for my case, it is difficult to conduct thousands of concrete studies in the case of the Olympic Sailing Centre, but the concrete Olympic Sailing Centre case study is important for me to learn the specialized knowledge. I can carefully design my research questions and carefully prepare the interview process to obtain the relevant information in more detail (this is especially important when I interview the official from the city's Bureau of Planning).

The fourth component of the research design, connecting data to propositions, is the preview of data analysis, while the fifth component is the criteria for interpreting the strength of a case study's findings. As Yin (2018) explains, the statistical information is the standard for interpreting the findings. Yin (2018) also introduces the four major broader analytic strategies of case study, illustrating that researchers should be familiar with similar sources of evidence and with similar analytic techniques.

The first analytic strategy is to compare the expected and actual patterns. The "pattern-matching procedures" (Yin, 2018, p. 18) is the first type of case study analysis methodology. I incorporate this strategy in my case study of Qingdao Olympic Sailing Centre because I predict similar patterns based on existing common knowledge of waterfront developments in U.S. and European cities. My hypothesis about the off-budget financial instrument is framed by common sense and the

financing story of other waterfront redevelopment projects in China. Moreover, the hypothesis is the anticipated answer to my research questions.

The second analytic strategy is using evidence to build an explanation. The results of my archival search and interviews are used to facilitate my analysis and understanding of the results. They form the basis on which I analyze the data and draw conclusions.

The third analytic strategy is to “ascertain and array the key events chronologically” (Yin, 2018, p. 21). This strategy is important to my case studies because I need to construct a concrete timeline for the relocation of Beihai Shipyard to better present the city’s spatial transformation timeline. Moreover, the timeline of the big events of major commercial complexes located in the Olympic Sailing Centre business circle is constructed to reveal the private economy and service industry’s development after the eastward relocation of city hall. Therefore, I have carefully designed this section.

The final analytic strategy is building and proofing the logic models. For this strategy, I analyze whether the waterfront redevelopment in the case of Qingdao Olympic Sailing Centre reflects the progressive replacement of the Keynesian-Fordist industrial waterfront by the post-industrial waterfront, and whether the Chinese development regime building will be the same as their U.S. counterparts.

All in all, five different components constitute a case study as one type of research design. The first three components—the study’s questions, propositions, and cases—help facilitate the research design to identify the targeted data and help collect

the data. The other two components help to connect data to the propositions and the standard of analyzing data. This can reshape the design to facilitate case study analysis and offer backup options for collected data (Yin, 2018). This is very similar to how I develop my research study questions. I first comprehensively examine associated literature on urban regime theory/growth machine theory to define my major research questions. Then I begin the literature review and conduct interviews to collect data. Finally, I use the examples presented by Yin (2018) to connect data to propositions and analyze the results.

Additionally, the following paragraphs in this chapter of Yin's book is important to my study because it considers the role of theory in research designs. To construct pertinent theories, theoretical development needs to be simple and plain. The author argues that the research design, including the five components of designing research, starts from developing theoretical propositions (Yin, 2018). Therefore, it is useful to follow the author's instruction to develop theoretical propositions and construct the case study in exploratory, descriptive, or explanatory forms. Researchers could use theoretical propositions to design research studies and collect data when doing a case study. They also could use the theories as platforms to unearth new research results and analyze key arguments (Yin, 2018).

This section is especially inspiring for me because I also develop and extract many research questions based on the theoretical work about post-industrial redevelopment, neoliberalism, urban regime theory, and theory of off-budget financial instruments. The theories did function as a platform for me to hypothesize theoretical

propositions. In the next few stages, the theoretical frameworks analyze data I have collected. Besides the case study of the Olympic Sailing Centre, my study also contains a background section on Fushan Bay Business Circle and Zhongshan Road Commercial Street. The research questions I raise follow the theoretical structure of post-industrial waterfront redevelopment, urban regime theory, and neoliberalism. So the research study of cases is built on the framework of pertinent theories.

In addition, a well-designed case study, without needing to be able to generalize, can be valuable to scientific creation, which means case studies are more likely to produce correlative theories. A case study is considered a good way to identify a “black swan” because of its “in-depth approach” (Flyvbjerg, 2006, p. 228): what appears to be “white” can turn out to be “black” by closer examination (Flyvbjerg, 2006, p. 228). As for my case, I generalize the role of financing and development regime building for waterfront redevelopment projects in Chinese port cities under neoliberalism by studying the case of Qingdao Olympic Sailing Centre. No one has conducted a systematic evaluation of the financing story and regime building of waterfront redevelopment projects in Chinese port cities before, so it is important to assess, through closer examination, the financing and coalition development of the Olympic Sailing Centre project. I hope the research study can be taken as a reference, making recommendations for future similar projects.

Further to say, a case study can generalize theories on the basis of individual cases. The case studies can be used to generate and test hypotheses but are not limited to the research activities alone (Flyvbjerg, 2006). According to Flyvbjerg (2006),

Eckstein believes that a case study is useful to constructing the theory-building process, and it works best when building a theoretical knowledge background.

Flyvbjerg (2006) illustrates that using case studies to generalize theories can be improved by a strategic selection of cases. He (2006) also mentions the strategies for the selections of cases and samples: (1) random selection, and (2) information-oriented selection. I think the point that I can learn from for my case study of Qingdao Olympic Sailing Centre is the information-oriented selection. I have contacted the key informant from the city's Bureau of Planning based on their knowledge of the city's spatial transformation and economic restructuring and have found participants who know the financing story and the development coalition building of the Olympic Sailing Centre project to make sure I obtain the pertinent information. Furthermore, I have not randomly selected any developers of the Qingdao Olympic Sailing Centre project to be my interviewee; the interviewee participating in my interview is one who knows the project's financing story. This is my strategy of selecting information-oriented participants to formulate correlative theories.

In Chapter 4 of Yin's book, he (2018) examines the six most common evidence sources for case study research. The researchers must collect and use the data properly to ensure the quality of research results. The major sources of evidence used in my research case study are mainly interviews and direct observations. I have ensured that my interviewees are the pertinent informants of targeted information to answer the relevant research questions. The participants' insightful ideas have inspired me

differently to understand the city's spatial transformation from different perspectives beyond post-industrial redevelopment and neoliberalism. Namely, the interviewees' insights have broadened my vision about the dynamics between municipal governments and private developers within a specific Chinese context, which means I have had opportunities to see the characteristics of Chinese social connections (called "Guanxi"). I have tried to design my interview questions as carefully as possible to avoid inaccuracies and different definition of concepts due to poorly designed interview questions and poor recall. Thus, I have reduced response different definition of concepts as much as possible. When observing the spatial changes of the city, I only used direct observation so as to understand the whole picture of urban spatial change in a short time, thus avoiding timewasting.

In retrospect, I chose Qingdao Olympic Sailing Centre and Zhongshan Road Commercial Street as case studies because these cases can draw people's attention. The Qingdao Olympic Sailing Centre is a unique flagship project used by the development coalitions for territorial ideologies. Nevertheless, I have built an attractive framework for my study, lest the research and interview questions are not pertinent. In order to compare with the Olympic Sailing Centre, I built a detailed background-knowledge framework on Shinan District and introduced Zhongshan Road Commercial Street explicitly. The design of my study's implementation process is mainly documented/literature review and interviews. I first constructed the framework of my methodologies under the constructivist method, but the details of the documented/literature review and interviews have been fleshed out in the



interview process. Moreover, designing a “two-case” study has beefed up the first case study. The two case studies function together to challenge the existing notion (Yin, 2018). Additionally, the case studies having two cases broaden the case studies’ coverage and increase the topics of contemporary interests. That is why I have conducted two case studies, which are Qingdao Olympic Sailing Centre and Zhongshan Road Commercial Street. The story of Qingdao Olympic Sailing Centre is contrasted with the “failed” redevelopment of the Zhongshan Road Commercial Street, the traditional trading and commercial core of the port city economy. Multiple case studies ensure that they cover more topics than single case studies do (Yin, 2018). Nonetheless, I still include detailed background and flanking information as much as possible to better facilitate my understanding of the topics. I also resort to archival resources for my literature review and document review sections.

### **3.3 Methodology of Data Collection-Interview Strategies**

The interviews form significant parts of my overall methodology of data collection because I can get the information I want from the interviews in my research. This research collects essential data mainly through interviews. The interviews in this research cover the topics of the financing of Olympic Sailing Centre, the ideological motivation of the waterfront redevelopment project, the relocation of previous industrial sites, the development of the Fushan Bay Business Circle, and the decline of the Zhongshan Road Commercial Street. The interviews help “convey empathy, build trust with the interviewees, and enable me to gain rich data” to better understand the interviewees’ opinions and perceptions (Harrison, 2009, p. 333). Moreover,

interviews are helpful to learn critical aspects that are not easily accessible through standardized surveys—the organizations’ internal decisions on the relocation of industrial sites, as an example. My method of data collection regarding interviews is to conduct conversations with people who occupy management positions and have essential roles in the targeted organizations or companies. I can collect valuable data through the interviews and understand how the organizations and companies function as crucial stakeholders amid the financing of the waterfront redevelopment projects. Meanwhile, I gain direct knowledge of the interviewees’ perceptions regarding interview questions such as how the Olympic Sailing Centre was financed and what role the growth coalition played, for example.

The general logic of arranging interviews in my research is to relate the topics of the interview questions to the interviewees’ backgrounds so that the most suitable interviewees answer the questions and so that I can interpret and analyze their words appropriately. I need to know an interviewee’s background because I must know whether they are knowledgeable about supplying the information I look for. Simultaneously, these interview questions are academically difficult, so only interviewees with relevant backgrounds can appropriately answer these questions. The interviewees can synthesize location information, occurrence time, and specific events of the financing and development coalition building of the Olympic Sailing Centre project, so this is why I can only get the above information from an interview. Besides, the interviews allowed me to speculate about the interviewee’s perspective to get more information than what I interviewed through analysis. My task is to prepare

interview questions to fit the position and the position level of the interviewees. For example, I had the retired cadre of Beihai Shipyard's corporate culture office answer questions about the relocation of the shipyard and some private information of how the managers at that time made the relocation decision. My strategy was right because even shipyard employees may not know the details if they come from other departments. In contrast, the employees from other departments probably know better about the resistance to the relocation of Beihai Shipyard because they are the most aware of the relocation's inconvenience.

In my research, each interview was conducted around a particular topic. During an interview, when the interviewees did not have enough professional or academic knowledge related to my questions, such as a lack of knowledge on roll-back neoliberal destruction or roll-out institutional creation, I reworked the interview questions to provide the interviewees with a set of more accessible questions as guides to explain the concepts in a straighter way. This also makes the reworked questions more appropriate to the interviewee's actual situation (the distinctive Chinese circumstance). Nevertheless, to provide a similar starting point for each interview and cover all the important topics before I ran out of time, I still asked them the original interview questions first. This is for two reasons. First, I wanted to ask the most pertinent research questions to the interviewees. Second, I wanted to allow the interviewees to better understand the questions. Generally speaking, these reworked interview questions are pertinent in terms of the perspectives I want to know more

about, and they provide the interviewees with flexibility. Therefore, the final results show that my goal has been achieved.

The interviewees each have different career backgrounds. So their answers to my interview questions on some level contain different opinions on similar subjects, and these different opinions could have potentially led to different definition of concepts or inaccurate data. Thus, I listened carefully to their explanations regarding the interview issues and took notes about these different opinions to analyze the reasons behind the differences in their statements.

The interviews with six interviewees helped me to build relationships of trust with them. Some interviewees were willing to reveal some sensitive information during the interviews, for example, about the nature of the municipal government's top-design of entrepreneurial city governance. This is significant to my research, enabling it to reveal some essential content.

In choosing interviewees, I consider not only their positions (career relevance) but some demographic characteristics such as age, education, and personality. Among these criteria, the most important one is whether they have the information and perspective I want to know about. Education is also important because this determines whether they can easily and quickly understand these new concepts (urban politics and neoliberalism, as examples).

The interviewee I selected for the Zhongshan Road Commercial Street is Linan Tian, who is director of the committee of municipal and rural construction. I interviewed Director Linan Tian to learn more about the gentrification of the eastern

part of the city and why the revitalization attempts of Zhongshan Road failed.

Director Tian is the best person to interview about the development of that part of the city because, during the Zhengsheng Yu mayor era (1992–1997, when Qingdao was heavily developing the eastern part of Qingdao), she was in the prime of her career, and involved in all the important and specific work of the projects' planning. Both director Linan Tian and my father are fellow alumni. That is how I know her. Our first interview took the form of a casual chat. I met her twice in order to get all the necessary information.

I also interviewed the director of Zhongshan Road Revitalization Task Force (a government office under the Bureau of Qingdao Development and Reform), Xinan Wang, to learn more about the previous situation of Zhongshan Road, the difficulties in reviving the Zhongshan Road Commercial Street, governmental stimulus strategies, and the reasons behind the difficulties. I was able to recruit Director Xinan Wang because one of my friends introduced me to the background and knowledge that Director Xinan Wang has, so I contacted him, asking whether I could interview him regarding the rehabilitation initiatives of the Zhongshan Road area. He readily agreed to help me, and I conducted the interview in January of 2020.

Other than that, I interviewed Xiaoyu Li, the general manager of the famous and citywide supermarket Haibin Food Store in Zhongshan Road Business Street, to learn why the development looks the way it does and what the linchpin of reviving Zhongshan Road Business Street is. I chose him because of his position as the oldest front shop's manager in the Zhongshan Road area. Xiaoyu inherited the business from

his father, a distant relative of my family, a few years ago. So I got to know him, and with his consent, I recruited and interviewed him regarding the story of the rise and fall of the Zhongshan Road area.

I also conducted three interviews to understand the three primary aspects of the second case study (Olympic Sailing Centre). For my interview regarding the development history of Beihai Shipyard, the relocation of the shipyard, and the initial selection of the site of the Olympic Sailing Centre, I chose Mr. Yanjie Li. He is a retired cadre of the office of corporate culture at China Shipbuilding Industry Corporation, Qingdao (Beihai Shipbuilding Corporation is a subsidiary company of CSIC), and he is currently writing a book about the development history of Beihai Shipyard as a century-old enterprise. So he is very knowledgeable about the information that I wanted to know. I recruited Yanjie Li to ask him whether he would like to accept my interview request to disclose a little bit about what he is working on. Since he is already retired, he readily accepted my invitation.

For my interview regarding the financing of Qingdao Olympic Sailing Centre and the development of the Olympic Sailing Centre business circle, I chose the Deputy Director of Qingdao Planning Bureau, Mr. Zhipeng Li. I selected him to be my interviewee about these aspects because he knows the layout of urban development today, and, most important of all, 12 years ago, Mr. Li was the secretary of the 2008 Beijing Olympic Sailing Game Organization Committee. Therefore, he knows how the Olympic Sailing Centre Project was financed and he knows about Fushan Bay Business Circle's development. I got to know Zhipeng Li because a family connection

who used to work with him introduced him to me and me to him. I added him to WeChat and asked him whether he would like to be my source of information on the Olympic Sailing Centre projects financing and operation. He agreed, and I interviewed him in his office a few days later.

Regarding the development mechanism underpinning the redevelopment scheme, the concrete financing details of the Olympic Sailing Centre project, and information about the state-owned enterprises (Qingdao Dong’ao Group) that actually conducted the project’s financing, I interviewed Ziyin Yao, the manager of Qingdao Dong’ao Group (today the City Construction and Investment Group). He is the best person to learn from about the bricks-and-mortar financing strategies of the Olympic Sailing Centre project. Ziyin is a friend of an old colleague of my family, so I was able to contact him, and he readily agreed to my interview request after knowing my intention.

Please see the following table that compares the six interviewees, states how I recruited them, and why I chose them to be my interviewees.

Table 3.1 Comparison of the six interviewees

	Zhipeng Li	Linan Tian	Ziyin Yao	Xinan Wang	Yanjie Li	Xiaoyu Li
Interview content	How Olympic Sailing Centre was financed and surrounding development	The rehabilitation initiative of the Zhongshan Road Commercial Street	Concrete financing details of the Olympic Sailing Centre and coalition-building	Zhongshan Road Commercial Street	The relocation of Beihai Shipyard	Dynamics of the Zhongshan Road merchants
Why they	He was the	When	He is the	He is the	He is a	He is

were chosen	secretary of the 2008 Beijing Olympic Sailing Game Organization Committee.	Qingdao was heavily developing the eastern part of the city (the site of Olympic Sailing Centre), she was in the prime of her career.	manager of the firm that actually conducted the financing of the project.	director of Zhongshan Road Revitalization Task Force. So he knows Zhongshan Road.	retired cadre of the Beihai Shipyard, so he knows the history of the enterprise.	one of the Zhongshan Road merchants.
How they were recruited	Social connection	Fellow alumni of family member	Connection of a family member	Social connection	Social connection	Distant relative of my family
Interviewees' comments	The party and government dominate everything, definitely not neoliberalism.	Actually existing neoliberalism	The neoliberalism with Chinese characteristics	The difficulties of revitalizing Zhongshan Road lie in people's inertia	The financing of the relocation of Beihai Shipyard	The Zhongshan Road merchants are not organized.
How they contributed to answering my questions	His comments contribute to answering the research question: whether the waterfront redevelopment projects in Chinese port cities reflect the transformation	Her comments contribute to revealing the truth of entrepreneurial urban governance in the Chinese port cities.	His comments contribute to answering the research question: how the development coalitions are formed	His comments help me to analyze why the revitalization strategies of the Zhongshan Road Commercial Street	His comments contribute to my description of the history of the Beihai Shipyard and	His answers contribute to the fact that there are many barriers to the revival of the



	n from Keynesian-Fordism industrial waterfront to the post-industrial service-based city.		and function to facilitate the waterfront redevelopment initiatives in Chinese port cities.	failed.	the financial details of the relocation of the shipyard.	Zhongshan Road. And the merchants are not conscious enough to unite together.
Compare the interviewees (1) whether the current Chinese model of urban regulation is to adapt to the “capitalist market economy”? (2) Whether the Olympic Sailing Centre project reflects market-oriented social management?	(1) No, (2) No	(1) Yes, (2) Yes	Ziyin’s point of view complements Zhipeng’s and Linan’s.	N/a	N/a	N/a

I also collected documents such as the *Feasibility study report of the twenty-ninth Olympic Games International Sailing Centre Construction Project*, *Policy Interpretation and Practice of the Reform of Regulation and Service in Shenzhen* and *Construction and Practice of Business Environment in Shenzhen*, and *Zhongshan Road Rehabilitation Notes*, *Revival Plan for Zhongshan Road Commercial (Tourism) Street*, and *Industrial Orientation of Zhongshan Road Commercial Street* from Zhipeng Li, Yanjie Li, Linan Tian, and Xinan Wang. These documents are introduced in the Result Analysis section, and they support the analysis of growth-coalition building in the Olympic Sailing Centre project, the nature of the growth-coalition formation, and the success in second-tier Chinese cities.

In the previous sections, I explained the constructivist grounded theory, the methodology of research design that this study adopts. In this chapter, I evaluate the primary reason I am using constructivist grounded theory and the features and advantages of the constructivist grounded theory.

Then I introduce my approach to the research and how it involves case studies as part of my research design. Following the case studies and research design, I generalize the key components of designing a case study research and case studies' analytic strategies.

In addition to that, I unravel why I use interview strategies as the methodology for data collection and the advantages of interviews. I explain how I collect data via interviews and the general logic of arranging interviews.

In Chapter 4, “Neoliberal Uniqueness: Choice of the City,” I discuss the neoliberal features of the city I have chosen, Qingdao. I introduce the general information of Qingdao, the city’s history and geography, industrial development, and the evolution of neoliberal ideologies and economic development.

In the second part of the chapter, I unveil why I chose Zhongshan Road Commercial Street and Qingdao Olympic Sailing Centre as the two case studies in a comparison group. To deepen the discussion, I further evaluate why the traditional street bordering a harbour declined while the emerging post-industrial waterfront was booming. The ultimate goal of doing so is to analyze how the growth coalition is constructed and its financing situation.

Chapter 3 and Chapter 4 are highly related to each other. According to Chapter 3, the constructivist grounded theory can be used to generalize the experiences/empirical case studies of the financing and growth-coalition building of waterfront redevelopment projects in Chinese port cities, which is the primary subject of my research. Moreover, constructivist grounded theory can be used to collect data and generate new waterfront redevelopment theories through participant interviews.

The background generated by Chapter 4, neoliberal uniqueness of Qingdao city, is where I apply the research methodologies introduced in Chapter 3. I use the case studies of the Zhongshan Road Commercial Street and Qingdao Olympic Sailing Centre and the interviews I conducted from the two sites to reflect and analyze the more significant themes of the study. My ultimate goals are to explain how the

Olympic Sailing Centre's growth coalition was formed and how it implements the waterfront redevelopment project's financing scheme under neoliberalism.

### **3.4 Research Ethics**

The interviewees follow the approved research ethics protocol, and all respondents agreed that I may share their names.

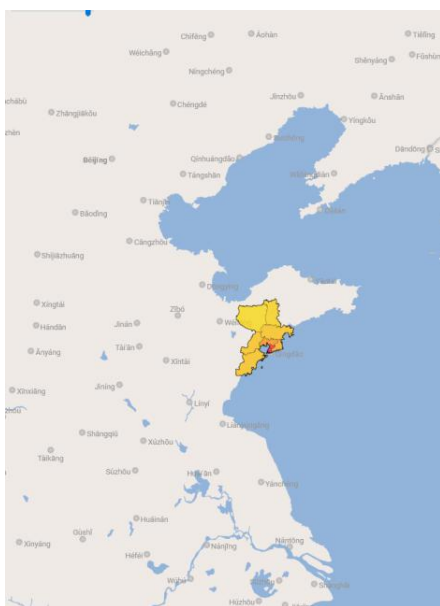
## 4. Neoliberal Uniqueness: Choice of the City

### 4.1 The Choice of the City: Qingdao

First of all, I would like to introduce the overview of Qingdao to unveil why the case of Qingdao is a unique example of the neoliberal city. The total population of Qingdao is 9.4 million, of which 6.4 million are urban residents. Qingdao has a large population of foreigners: 170,000. This is because the westernization of its urban construction and development mode lasted for half of a century since the beginning of its establishment in 1891, leaving Qingdao with a large foreign population and a high degree of openness. Therefore, Qingdao residents have a high sense of identity with foreign cultures, social systems, and modernization; for this reason, Chinese traditional culture has not accumulated much in Qingdao.

Please see below the map (Figure 4.1) of Qingdao to present the city's strategic location.

Figure 4.1 Location of Qingdao



Source: Citypopulation.de

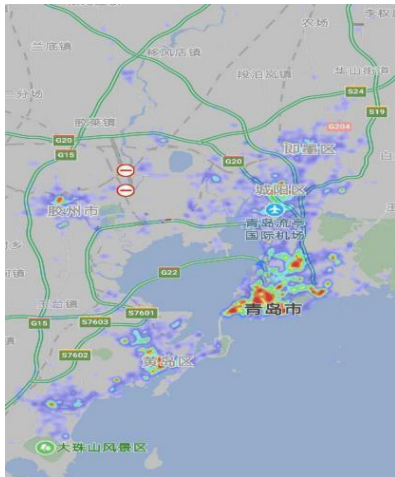
Please see below the maps (figures 4.2 and 4.3) thermodynamic diagrams of Qingdao to reflect the city's population distribution.

Figure 4.2 Thermodynamic diagram of Qingdao's urban population



Source: NetEase Hao, <https://3g.163.com/all/article/EF201GAJ05418TYM.html>

Figure 4.3 Thermodynamic diagram of Qingdao City



Source: NetEase Hao, <https://3g.163.com/all/article/EF201GAJ05418TYM.html>

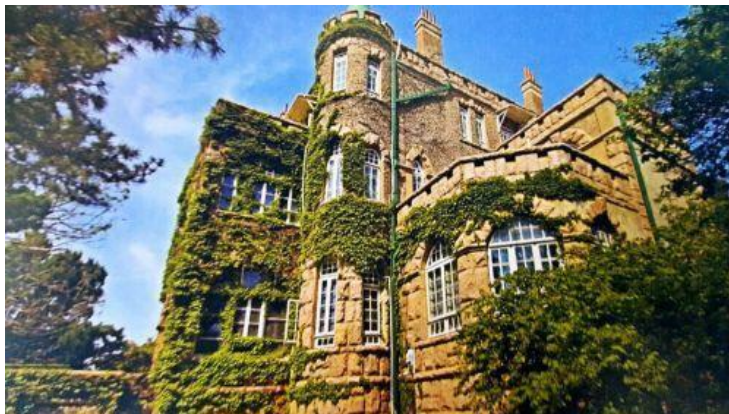
Qingdao is located in the north along China's coastline, south of the Jiaodong Peninsula, and it abuts the vast hinterland in the west. Due to its superior geographical

location, Qingdao has been accorded great importance in modern times. Following the Qing government's establishment of a garrison in 1891, the Germans leased the Qingdao port and constructed railways in 1897. Qingdao thus prospered because of the port and railway and became the centre of German and Japanese trading activities in China. In modern times, Qingdao completed the transformation from a remote fishing village to a commercial city during the German lease period; during the Japanese occupation period, the manufacturing industry, led by the textile industry, rose, transforming Qingdao into an industrial and commercial city, and the degree of urbanization was further improved. With the development of the city, Qingdao's industries of transportation, architecture, communication, education, and scientific research all play an important role in China and even Asia.

What is more, the early built environment of Qingdao's core totally reflects the original urban design of the German colonists (Farris, 2011). This is mainly because there were not many pre-existing traditional Chinese architectures or communities in the Qingdao region before 1891. The old city was completely built by the Germans, therefore, the architectural style of Qingdao's old city is entirely Western (Farris, 2011). European architectural technology was widely used in Qingdao's urban construction. As Germany is the only foreign influence, German urban planners were able to maximize their ideal planning, and their influence can be seen everywhere in Qingdao's historic quarter, where the neighbourhoods are separated by a European parish, a villa quarter (please see figure 4.4 below), a Chinese trade and commerce parish, and two parishes for workers (Farris, 2011).

Furthermore, according to the German planning of Qingdao's historic quarter, leisure and work are separated. This unique leisure atmosphere gives Qingdao's Bund, Pacific Road (the Kaiser Wilhelm back then), a unique feature of recreational luxury. Again, only in a city like Qingdao, where a German presence dominated and communities are separated by functions and ethnicity, can urban design reach its ideal form in full (Farris, 2011). The grand masterpiece of the governor's palace, with its radiating avenues (please see figure 4.5 below) and various Teutonic revival-style architectures mixed with medieval and classical motifs, give this Oriental port city a unique European Charm.

Figure 4.4 The villa quarter in Qingdao



Source: <http://m.yao51.com/jiakangtuku/nnddpkdv.html>

figure 4.5 German governor's palace





Source: Wikipedia. Gisling-Own work. License under [CC BY-SA 3.0 license](https://creativecommons.org/licenses/by-sa/3.0/),

<https://commons.wikimedia.org/w/index.php?curid=17275501>

Following Deng Xiaoping's neoliberal reform and opening policy in the late 1970s, Qingdao's economy has developed rapidly, and amid the growth, the reputation of its manufacturing industry has become the city's bright billboard. In the early 1980s, the three pillar industries of Qingdao were the textile manufacturing industry, transportation equipment manufacturing industry, and chemical engineering industry. The most famous industrial cluster was the state-owned textile manufacturing enterprises: Guo Mian 1-9 Chang (it means State-owned Textile Manufacturing 1-9 Factories). The textile industry in Qingdao has been the pillar supporting industry almost since the beginning of the city's industrial history. Before 1937, the number of employees in the textile sector in Qingdao had been 3,3000. And they are the core industrial workers in Qingdao. In a nutshell, Qingdao's light industrial scale before 1949 ranked as the second largest in China (Shanghai ranked as the first).

After the neoliberal reform and the opening-up policy, the speed of industrial upgrading in Qingdao has accelerated. Since then, Qingdao has developed into one of

the largest industrial cities and an important industrial base in northern China.

Qingdao has formed a comprehensive industrial system with a traditional textile and clothing industry, food processing industry, chemical rubber industry, emerging electronic instruments industry, home appliances industry, and other industries as pillars, which play an important role in the country. By promoting technological innovation, transferring of know-how, and expanding technological introduction, Qingdao ranks at the forefront of domestic industrial cities in terms of industrial technology levels. Qingdao's light industry has many famous brands, including Tsingtao beer (please see figure 4.6 below).

figure 4.6 Tsingtao Beer



Source Wikimedia. Radoslaw Drozdewski. Licensed under [Creative Commons Attribution-Share](#)

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In addition, the mechanical industrial industry in Qingdao is highly developed. The emerging industries represented by electronic instruments, household appliances, and high-speed trains have risen rapidly since the neoliberal reform. They have produced a number of famous and high-quality products in China and abroad. Among

them, Haier, Hisense, and Chinese CSR (Qingdao High-speed Rail Manufacturing Co.) are the most competitive in the global market. Qingdao is the real “city of brands” in China.

Please see figures 4.9, 4.10, and 4.11, images of Hisense, Haier, and a Chinese high-speed train.

figure 4.7 A Hisense advertising sign at the Iceland versus Argentina match in 2018 World Cup.



Source: *China Daily*

figure 4.8 Haier Headquarters



Source: Wikipedia, Haier Group - Own work, License under CC BY-SA 4.0 license.  
<https://en.wikipedia.org/wiki/Haier#/media/File:HaierHQ.jpg>

figure 4.9 Chinese high-speed train manufactured in Qingdao



Source: Wikipedia, By N509FZ-Own work, License under, CC BY-SA 4.0 License,

<https://commons.wikimedia.org/w/index.php?curid=63420090>

Under the context of China's post-1978 open policy and the neoliberal power and resource devolution, as one of five Chinese municipalities with independent-planning status (and also one of the fourteen coastal open cities), Qingdao's growth in real estate investment is important. The real estate sector's growth exemplifies that the provincial governments in China delegated part of their economic management authority to major cities under their jurisdiction. Qingdao has a two-level local state that includes municipal and district governments. All these have empowered the Qingdao local government with a relatively strong decision-making power and more responsibility. So the Qingdao municipal government began to initiate many local redevelopment projects to tap into its local resources. Consequently, there has been more cooperation between the local state and private sector in Qingdao. As the most important economic centre in Shandong Province (the population of Shandong Province is about 100 million, and Shandong is one of the most important provinces in China, whether in history, culture, or contemporary economy), Qingdao should play a leading role in the economic corridor of the Eurasian Continental Bridge (Zhao, 2018).

In order to ensure the prosperity and booming of the city, it is necessary to expand Qingdao's urban space. Before the 1990s, the urban area of Qingdao was concentrated on the narrow east coast of Jiaozhou Bay. Qingdao's task of urban space expansion, therefore, was urgent. Because to build a global city, the development coalition composed of local governments and business elites believed that urban construction needed to be vigorously carried out. The property-led redevelopment in Qingdao thus can be viewed as a unique case of neoliberal entrepreneurial urban governance.

With the manifestation of neoliberal governance, decentralization has shifted down the direct control of the central government to Qingdao's local development. In the same vein, the high demand for economic growth and urban development led to the concept of "small state, big society" (Xie, 2016). The small state, big society was proposed by Xun Liao in 1986, and this theory exemplifies the separation of the party from government, government from the enterprise. It builds a restricted government and exercises the power of the market. This means that the Chinese central government is gradually retreating from the social production and reproduction process. So, the institutions/artifacts of former Keynesian welfare national states have been hollowed out amid this neoliberal streak. Nowadays, the purpose of the Qingdao local governments is to provide policy services and incentives to promote marketization and operation, and to control the market through legislation. As a result, the role of the Qingdao government has changed from the ubiquitous stakeholder to the managerial institution. Accordingly, many private real estate developers are led

and introduced by the Qingdao local government to urban redevelopment. Without the fetters of central government, the development and construction of the city entered a new accelerated period and began to expand rapidly. And the local government and real estate developers eventually formed the governing regime, facilitating the urban redevelopments in Qingdao. I discuss the detailed evolution of the urban regime in the Olympic Sailing Centre case and the concrete financial instruments in Chapter 5 (“Arguments and Result Analysis”). At the same time, as competition between cities becomes more intense, attracting international and domestic investment to promote economic and urban development becomes more and more critical. So, the Qingdao municipal government started to enact many favourable policies to attract business and capital, adding entrepreneurial governance and the empowerment of local government to the new Qingdao institutional reform.

After four decades of economic growth and place promotion, Qingdao has exceeded other cities and become one of the most economically successful in eastern China. It is well known for its entrepreneurship, and the city has experienced a relatively high level of marketization and commodification since the economic reform. Private developers are increasingly becoming an important part of the urban regime; they cooperate with the local government to conduct urban redevelopment schemes. And amid the process, there has also been a high level of private sector participation (Zhang, 2019; Gong, 2019).

Under the centrally planned economy, local governments were mainly responsible for implementing policies and regulations issued by the central

government, thus lacking decision-making power and motivation to implement large-scale redevelopment projects. However, due to the subsequent administrative decentralization, most land development incomes and decision-making powers were assigned to the local government. In the meantime, the central government withdrew financial support for the local redevelopment projects. The Qingdao local state therefore has to be entrepreneurial to gain the financial resources for urban redevelopment. The Qingdao local government is becoming more businesslike to cut a deal with the private sectors. It develops various mechanisms to tap into private financial resources such as present value subsidies and value creation trade-offs. So the Qingdao local government and private sectors are increasingly functioning as a unified force to undertake the devolved administrative and financial power from the central government. The Qingdao local government also encouraged market operation and competition to promote local economic development. Consequently, urban development and raising local revenue became the significant tasks of the Qingdao municipal government. To optimize the business environment and attract capital investment, the Qingdao local government has started large-scale redevelopment projects to attract the attention of the world.

#### **4.2 The Regional Background of the Shinan District**

Table 4.1 The key economic indicators of the Shinan District

Total population	585,300
Total GDP-2017	22 billion CDN
Annual average GDP growth	9%
Added value of secondary industry	2.02 billion CDN
Added value of tertiary industry	19.9 billion CDN
Shinan's local public budget revenue	2.1 billion CDN

Local public budget expense	1.09 billion CDN
Annual revenue from national tax system	1.9 billion CDN
Annual revenue from local tax system	1.32 billion CDN
Self-employed businessmen	31,875
Total employment of self-employed sector	60,615
Number of private enterprises	43,709
GDP per unit-area of Shinan District	3.4 billion yuan/square kilometres
Fiscal revenue of Shinan District	2 billion CDN
Manufacturing gross industrial output	4.6 billion CDN
Fixed asset investment in 2017	2.1 billion CDN
Retail sales of consumer goods of Shinan District	11.9 billion CDN
Wholesale sales	1.34 billion CDN
Total foreign trade volume of import and export	13.6 billion CDN

Source: Qingdao Shinan Statistics Bureau, 2018

Shinan District: The GDP per square metre is 3.4 billion yuan, *Statistical Bulletin of National Economic and Social Development of Shinan District, Qingdao city*

The following section elaborates the regional background of where Qingdao Olympic Sailing Centre is located: the Shinan District. The Shinan District is the marrow of not only Qingdao but also the entire Shandong Province. In the most recent 2021 Chinese *Hukou*-system reformation stipulated by the Chinese Ministry of Housing and Urban-Rural Development, the Shinan District is the only district in Shandong Province that does not fully liberalize the household registration system, which means unless you are a high net-worth individual or have a PhD or are contributing a lot of tax revenues for the municipal government, you are not allowed to be a Shinan resident. This is incredibly unique amid the current fierce interurban competition between Chinese cities, whose policymakers have exhausted all their efforts to attract people from other regions/cities.

This section presents various data such as the census population, the economic indicators, and financial records of the communities and district to show the source of



finance of local government/municipal revenue, how this changes over time, and why they pursued real estate development.

This background introduction section is important because it elucidates how economic reform of the area (taking Qingdao Olympic Sailing Centre as the hub) has become primarily service-based, which is the manifestation of post-industrial waterfront redevelopment. The background of the city's financial situation illustrates how the government used the revenue to promote urban development and what they got from the revenue. Moreover, the entrepreneurial development strategies adopted by developers in Shinan District reflect the trend of neoliberalism.

The Shinan District, taking Qingdao Olympic Sailing Centre as the central area, holds a pivotal position on the economic territory of Qingdao. The total population of the Shinan District is 585,300. According to data from Qingdao Statistics Bureau (Sun, 2017), the GDP of Shinan District has increased from 71.011 billion yuan (14.2 billion CDN) in 2012 to 109.52 billion yuan (22 billion CDN) in 2017; the annual average GDP growth is 9 percent.

Moreover, according to the *Statistical Bulletin of National Economic and Social Development of Shinan District, Qingdao city* (Qingdao Shinan District Statistic Bureau, 2018), Shinan District's added value of the secondary industry was 10.08 billion yuan (2.02 billion CDN); the added value of the tertiary industry was 99.44 billion yuan (19.9 billion CDN). Therefore, the economic restructuring has been steadily moving forward. The added value of the tertiary industry accounts for 91 percent of the entire district's added GDP (Sun, 2017). In addition, the sources of

financing for local government and municipal outlays mainly come from tax revenues.

In 2017, the Shinan District's local public budget revenue was 10.56 billion yuan (2.1 billion CDN), and the year-on-year growth rate was 3.3 percent. This level of tax revenues and growth rate has lasted for nearly a decade. Beyond that, the annual revenue from the national tax system was 9.5 billion yuan (1.9 billion CDN), while the annual revenue from the local tax system was 6.6 billion yuan (1.32 billion CDN). And the GDP per unit-area of Shinan District was 3.4 billion yuan/square kilometres. The Shinan District's total fiscal revenue was the first to exceed 10 billion yuan (2 billion CDN) among all the districts in Shandong Province. The economic data of Shinan District has been ranked in the forefront among the central city districts of large cities in China (Sun, 2017).

If we take a look at the specific individual industries—for example, the manufacturing and construction industries—we can find that the manufacturing industrial value added was 4.7 billion yuan (940 million CDN) in 2017; and the gross industrial output was 22.9 billion yuan (4.6 billion CDN) in 2017. The total gross output of the construction industry was 40.4 billion yuan (8.1 billion CDN) in 2017, and the total value added of the construction industry was 5.4 billion yuan (1.1 billion CDN) (Sun, 2017).

The Qingdao municipal government used the tax revenues generated by the above industries to facilitate widespread urban redevelopment projects in the city. What they got from the thriving real estate sector is the change in the city's spatial structure. The

fixed asset-investment in 2017 was 10.63 billion yuan (2.1 billion CDN), among which real estate investment was 8.7 billion yuan (1.7 billion CDN) (Sun, 2017). And in 2017, there were 81 fixed-asset investment projects, 25 newly started projects, and seven of them were completed. Therefore, the total newly added fixed asset is 1.1411 billion yuan (228 million CDN). In Shinan District, the total commercial housing sales area is 194,700 square metres, among which the residential sales area is 153,900 square metres (Sun, 2017).

Therefore, the development of the real estate market in Qingdao is booming, and the real estate industry has become a crucial supporting industry. The real estate sector's contribution to the city's total GDP has been continuously growing since the 2000s and rose to 9 percent in 2018 (Zhang, 2018). The real estate investment in Qingdao has been dramatically increasing since the 1990s.

In addition, the land and housing reforms have been the catalysts of neoliberal property-led redevelopments in Qingdao. The newly introduced land-leasing system allows land-use rights to be traded in the market while the state retains land ownership. This makes it possible to generate massive wealth through land transactions, so property-led redevelopment has become a widespread phenomenon in Qingdao. Getting land-use rights from the Qingdao local governments and rebuilding old and dilapidated inner cities into high-value-added properties such as luxury hotels and commercial buildings has become highly profitable and has attracted a lot of investment. This is one of the most significant motivations of property-led redevelopment in Qingdao. The increasing demand for the municipal government to

receive revenues from land investment, the actually existing neoliberal informal institution of land development (Brenner & Theodore, 2002), and the formation of an urban redevelopment regime have all dramatically facilitated the property-led economic redevelopment in Qingdao (Logan & Molotch, 1987). The development of commercial housing and housing reform also facilitated the neoliberal property-led redevelopment in Qingdao. The state and working units no longer allocate houses, and the state has begun to encourage the privatization of housing. This has promoted the neoliberal development of the real estate industry to generate land revenues for the municipality (Weber, 2002).

The municipal government's urban redevelopment investment resulting from sustained economic growth and the completed urban infrastructure has maintained market confidence and triggered society's demand for commercial and residential housing. In other words, the neoliberal property-led redevelopment has also been propelled by the demand for commercial housing in Qingdao.

All in all, the booming urban redevelopment of the real estate sector in Qingdao has been driven by institutional changes (administrative decentralization that enlarges the financial power of the Qingdao municipality), economic factors (land and housing reform), and social forces (high demand of the real estate industry).

The consumer market in Shinan District has remained active. The retail sales of consumer goods of Shinan District achieved 59.63 billion yuan (11.9 billion CDN) throughout 2017, and the year-to-year growth rate is 10.8 percent. The wholesale sales reached 6.7 billion yuan (1.34 billion CDN) in 2017, while retail sales reached 42.9

billion yuan (8.6 billion CDN), retail sales of the hotel industry reached 1.8 billion yuan (360 million CDN), and retail sales of the catering industry reached 8.2 billion yuan (1.6 billion CDN) (Sun, 2017). The total social consumer goods retail sales achieved by enterprises was 32.18 billion yuan (6.4 billion CDN), which accounts for 54 percent of total retail sales of consumer goods in the Shinan District. The total retail sales of clothing was 8.5 billion yuan (1.7 billion CDN), the year-to-year growth rate was 9.8 percent; the total retail sales of petroleum products was 7.4 billion yuan (1.48 billion CDN), and the year-to-year growth rate was 4.3 percent; the total retail sales of appliances reached 2.7 billion yuan (540 million CDN) and the year-to-year growth rate was 68.3 percent (Sun, 2017).

Other bright economic data of Shinan District (the Olympic Sailing Centre area) lay in its foreign trade industry. In 2017, the total foreign trade volume of import and export was 67.9 billion yuan (13.6 billion CDN) and the year-to-year growth rate was 18.4 percent (Sun, 2017). The total volume of exportation was 39.3 billion yuan (7.9 billion CDN), the year-to-year growth rate was 5.1 percent, while the total volume of importation was 28.4 billion yuan (5.7 billion CDN) and the year-to-year growth rate was 43.3 percent. The main exports are clothing, metal products, mechanical equipment, and rolled steel. And the main import commodities are bulk resource products such as iron ore, crude oil, refined oil products, and coal. Beyond that, there were a total of 73 foreign-capital supported projects approved in 2017, a total of 450 million USD of foreign investment were utilized in Shinan District, and the year-to-year growth rate was 49.38 percent. There were 576 domestic projects

introduced to Shinan District in 2017, the total domestic capital actually used was 11.5 billion yuan (2.3 billion CDN), and the year-to-year growth rate was 15 percent (Sun, 2017).

Shinan District has been developing rapidly in promoting the headquarters economy. Fifty regional headquarters of Fortune 500 companies are located along the Hong Kong Road, Shinan District. And there are 26 skyscrapers with tax revenues of over 100 million yuan (20 million CDN), while a number of local companies became listed on the mainboard market or overseas. Furthermore, the construction of the central fashion area took shape, and by 2016 there were 18 commercial complexes in operation, including the China Resources-Mix Shopping Mall and the second phase of Hisense Plaza. The business circle of Qingdao Olympic Sailing Centre has emerged as a booming and prosperous modern city as compared with the less favoured (because the focus of city development in the early 1990s was the eastern area of the city) and less successful old town commercial street, Zhongshan Road Commercial Street.

The above economic data and development stories illuminate that the Shinan District, represented by the Qingdao Olympic Sailing Centre, has become the space of neoliberalism. And the Qingdao Olympic Sailing Centre Business Circle has evolved as the city's economic restructuring arena. Moreover, the business climate was promoted by increasing social reproduction privatization (Brenner & Theodore, 2002). Benefitting from the entrepreneurial city governance, Qingdao, one of the first 14 coastal open cities (Wang, 2014), has been the pacemaker amid Chinese interurban competition since the 1990s.

### **4.3 Choice of the Two Study Sites**

This research contains two case studies that help me to compare them and reveal why the Olympic Sailing Centre Business Circle is booming and why the Zhongshan Road Commercial Street declined. The ultimate goal of this research design is to discuss the Olympic Sailing Centre's growth coalition's structure and its financing situation.

#### **Case Study 1 and the Recruitment**

The first case study is the Zhongshan Road Commercial Street, which specifies the development trajectory of the city's old economic hub: Zhongshan Road Commercial Street. This section's case study illuminates the street's rise and fall. Furthermore, it analyzes what difficulties the revitalizing initiatives of Zhongshan Road Commercial Street faces. This case study has been provided as a contrast to the Qingdao Olympic Sailing Centre while also adding context to the development of the city as a whole.

Before the city centre moved eastward in 1994 to the new business circle surrounding Olympic Sailing Centre, Zhongshan Road, a north-south trunk road in the old town of western Qingdao, had been the economic and commercial centre of Qingdao for almost a century. Zhongshan Road was planned as the city's main business centre when Qingdao opened as a commercial port in 1898. It was initially thriving because of liberalism and mercantilism in the late nineteenth century and early twentieth century. Zhongshan Road originally arose because of its proximity to the cargo terminal in Qingdao. It was the most convenient place to trade goods after

they are unloaded because the road's north-south orientation runs parallel to the layout of Qingdao port. It was also convenient for Zhongshan Road to become a trading place for imported goods. As a result, Zhongshan Road gradually became a hub for trading. In the early half of the twentieth century, as the main venue of Qingdao business activities, Zhongshan Road gained considerable scale and fame during the German occupation period. In the 1930s, the first golden period of Qingdao's development, Zhongshan Road upgraded from a commercial business street to a financial street: Bank of China, Bank of Communications, Industrial Bank, and other large financial institutions set foot in Qingdao, and most of the financial institutions settled in Zhongshan Road. With abundant capital as a guarantee, the commercial development of Zhongshan Road became more rapid after the 1930s.

Even though Zhongshan Road Commercial Street used to be very prosperous, it declined inevitably due to Qingdao's eastward gentrification, as the city's commercial centre also moved eastward to the Olympic Sailing Centre Business Circle. Moreover, due to urban sprawl, the region lost its status as the city's geographical centre, which is why it is difficult for Zhongshan Road to gather popularity nowadays. Though most historic buildings in Zhongshan Road Commercial Street have been renovated, not many local customers like to go shopping there. The targeted customers of the shops in Zhongshan Road Commercial Street are foreign tourists. The stark situation and missing management are the grim realities faced by Zhongshan Road Commercial Street merchants. Please see figures 5.12 and 5.13 for the current situation of Zhongshan Road Commercial Street.



Since the 2000s, the Qingdao municipal government has tried several times to revamp the obsolete architectures to revive Zhongshan Road business circle. But the costs of relocation and renovation are huge, so many businesses were reluctant to participate because profits were too low. Moreover, the residential communities surrounding Zhongshan Road business circle are losing the young population, and the adjacent communities' residents are mostly elderly, which has also led to insufficient consumption vitality. Because it is an old town, the road network is dense, with mostly small streets, so the logistics of access are extremely inconvenient. Therefore, it is difficult to design and implement a modern large-scale commercial complex in Zhongshan Road business circle. All in all, the revitalization of Zhongshan Road is facing many difficulties.

Its current business model is mainly in the form of small commodities and the catering industry, and there are no large, upscale commercial complexes. The street shops are mostly small spaces with an area of about 20–80 square metres. Rents are significantly low as well, about 3–10 yuan per square metre per day. With the eastward shift of the centre of urban development, Zhongshan Road business circle's commercial environment has shown obvious signs of decline. The shops' potential customers are mainly foreign tourists and elder residents living in this community. In a word, local people seldom visit here. Nowadays, the total volume of Zhongshan Road business circle customers has been greatly reduced compared to ten years ago. The most representative example is the Parkson Department Store, which was the first Sino-foreign joint-venture retail enterprise approved by the Chinese State Council in

Shandong Province. Affected by the pallid overall economic environment in Zhongshan Road business circle, Parkson's current general economic condition is not very good. Opened in 1998, Parkson Department Store saw annual sales of only 500 million yuan in 2017, lower by 20 percent from ten years ago.

figure 4.10 Zhongshan Road Commercial Street



Source: [www.baidu.com](http://www.baidu.com)

figure 4.11 Zhongshan Road Commercial Street



Source: [www.baidu.com](http://www.baidu.com)

figure 4.12 Historical map of Zhongshan Road



Source: Qingdao Municipal Archives,  
[http://qd.ifeng.com/special/qdzslj/tupian/detail\\_2013\\_05/27/841589\\_1.shtml](http://qd.ifeng.com/special/qdzslj/tupian/detail_2013_05/27/841589_1.shtml),2016

## Case Study 2 and the Recruitment

The second case study of the research is the historical background (including the relocation of Beihai Shipyard) and the current specific situations of the centre of the city's most popular business circle: Qingdao Olympic Sailing Centre. This case study unfolds the key actors in the Olympic Sailing Centre development coalition building and reveals the financing process of the redevelopment project. It illustrates the Fushan Bay redevelopment project: the Qingdao Olympic Sailing Centre. The 2008 Beijing Olympic Games signify the move of Qingdao's commercial centre and landmark from Zhongshan Road—a commercial street in the old town that was booming because of its proximity to the harbour—to the business circle centring on the Olympic Sailing Centre. The Qingdao Olympic Sailing Centre and its surrounding parcels of land have become the most prosperous, dynamic, and booming commercial business districts in Qingdao.

The original site of the current Qingdao Olympic Sailing Centre, the eastern bank of Fushan Bay, was the Qingdao Beihai Shipyard. The Qingdao Beihai Shipyard is a century-old enterprise, initially a shipyard built by German colonists in 1898.

figure 4.13 2003, Beihai Shipyard before relocation and original site of the Olympic Sailing Centre



Source: QDSQ,

<http://qdsq.qingdao.gov.cn/n15752132/upload/180525163243606567/180525163243653425.jpg>, 2018

After nearly 100 years of development, the Beihai Shipyard has become one of the largest shipbuilders in the region. However, the motion to move the century-old plant out of Qingdao downtown began in the 1990s, mainly because the original site of Qingdao Beihai Shipyard, the Fushan Bay, is not deep enough for the construction of large ships. Consequently, the ship repairing business became stagnant, and the shipyard facilities were partially redundant during the 1980s. In March, 1996, the China State Shipbuilding Corporation and Qingdao municipal government decided to build a large-scale base for shipbuilding and repairing on the west side of Jiaozhou Bay and to move Qingdao Beihai Shipyard after construction was completed.

figure 4.14 The new location of Beihai Shipyard (the pin with 1 indicates the location)



Source: Baidu Map

In 2004, the relocation of Qingdao Beihai Shipyard was completed. Please see below the timeline of the relocation of Beihai Shipyard.

Table 4.2 The timeline of the relocation of Beihai Shipyard

1990	The motion of relocating Beihai Shipyard has been initiated.
1991	Beihai Shipyard starts to look for new sites.
1992	Haixi Bay on the west bank of Jiaozhou Bay has been found as the ideal site of future Beihai Shipyard (to move Beihai Shipyard westward).
1996	The Qingdao municipal government and China State Shipping Company (CSSC, the holding company of Beihai Shipyard) officially start to plan and prepare the relocation of Beihai Shipyard.
2003	The relocation of Beihai Shipyard begins.
2004	Beihai Shipyard completely moved to Haixi Bay, the west bank of Jiaozhou Bay. The relocation of Beihai Shipyard completed.

source: QDSQ, 2018, organized by author

Since the relocation of Beihai Shipyard, the Qingdao central city (the Fushan Bay area) officially detached from the manufacturing and physical industrial activities.

Meanwhile, property redevelopment was pursued by the urban regime/coalition, who receive economic profits from investing in real estate redevelopment projects, as the new Qingdao Olympic Sailing Centre replaced the original Beihai Shipyard (Logan & Molotch, 1987; Stone, 1989). Thus, during this Fushan Bay landscape transformation, blue-collar jobs have changed to white-collar jobs, and the post-industrial service activities replaced the previously polluted, hard, and industrial harbour images.

What makes Qingdao Olympic Sailing Centre the marrow of the city is its surrounding parcels of blocks and the supporting facilities. Today, as an urban landmark, the Qingdao Olympic Sailing Centre is surrounded by the heart of Qingdao city, the central CBD, and the headquarters of large local enterprises. figure 4.16 shows the map of Qingdao Olympic Sailing Centre and its surrounding area. And figure 4.17 shows the aerial view of Qingdao Olympic Centre Business Circle. According to the Overall Planning of Qingdao 2011–2020 (Qingdao City Planning Bureau, 2016), the coastal area of the Shinan District of Qingdao, with the Fushan Bay as the centre, was planned as the city’s central business district (CBD) (see figure 4.16). This “golden area” surrounding the Fushan Bay was positioned as the centre of headquarter offices, financial business activities, and cultural and entertaining activities. Further to say, the development orientation of the “golden” district was to build the international business centre, fashion consumption centre, and the cluster of headquarters of multinational corporations in order to support the key post-industrial service industries: headquarter economies, finance, international business, and fashion consumption industry.

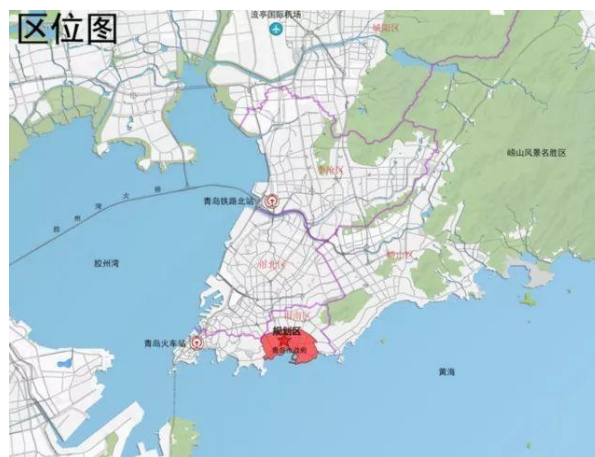
The Olympic Sailing Centre business circle thus has become the most prosperous business centre in Qingdao, and its targeted customers are the city's high net-worth individuals. Nowadays, the major commercial complexes constituting Qingdao's eastern upscale business circle include the International Trading Centre, Gloria Hotel, Hainan Airline's Wanbang Centre, The Mixc, Carrefour, Wanda Plaza, Redoute, Jusco, MyKal, Baili Square, Hisense Plaza, and In Zone commercial complex. Please see figure 4.15 for the geographical distribution of the major commercial complexes.

figure 4.15 The major commercial complexes in Olympic Sailing Centre Business Circle: (1) Hisense Plaza, (2) Baili Square, (3) Jusco Shopping Mall, (4) XInhai Square, (5) MyKal Shopping Centre, (6) The Mixc, (7) In Zone Shopping Centre, (8) Carrefour



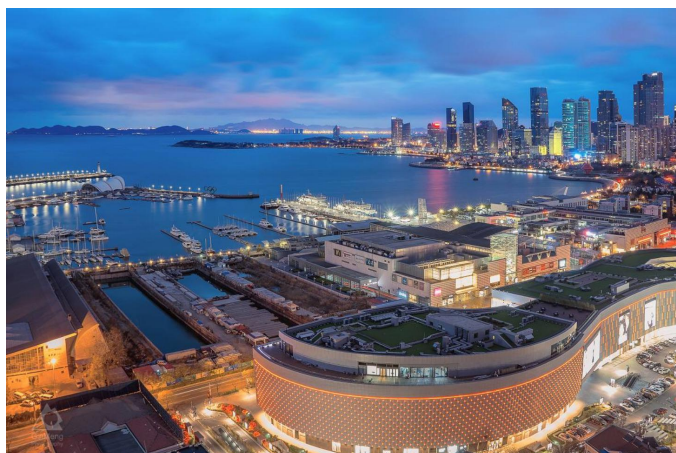
Source: Google Map, 2019, key sites are identified by author

figure 4.16 The red area is the business circle surrounding Qingdao Olympic Sailing Centre, and the Shinan District is the most southerly area bounded by the purple line



Source: Qingdao City Planning Bureau, Overall Planning of Qingdao 2011–2020, 2016

figure 4.17 Qingdao Olympic Sailing Centre Business Circle



Source: Gimmeng, <https://tuchong.com/368226/> 2018

All in all, I summarize what I have collected from the core interviewees and compare their (Director Zhipeng Li, Director Linan Tian, and Manager Ziyin Yao) ideas here to better illustrate the value of the three major interviewees' comments and assess how their viewpoints contribute to answering my overall research questions.

Director Zhipeng Li believes that the party and government dominate everything, and the current Chinese social regulation model is definitely not neoliberalism. He insists that the Chinese Communist Party and government dominate the political life of Chinese people. Moreover, government intervention is still active, and significant state intervention was involved in the case of the Olympic Sailing Centre project. The state-owned development enterprise is the primary promoter of urban redevelopment projects. Furthermore, the limited level of market-oriented operation is guided by the government and participated in by the capital of private sectors. Urban redevelopment, therefore, is conducted through the market-oriented operation with the supervision of



the municipal government. According to Zhipeng, this is “socialism urban management with Chinese characteristics.”

From my conversation with Director Linan Tian, I can comprehend that the current Chinese model of urban management is neoliberalism. She confirms that the reason for fostering business activities and the city’s civic life is to facilitate entrepreneurial urban governance. The ultimate goal is to extract value from land-based speculative activities. I got to learn how big the role of the market could be by interpreting how to empower the market via optimizing/improving the functions of new government institutions.

To illustrate what I have learned from my interview with Manager Ziyin Yao, I believe the redevelopment of the Olympic Sailing Centre project is led by the municipal government and state-owned development companies because the growth coalition in the Olympic Sailing Centre project is constituted by the municipal government, state-owned development enterprise (Dong’ao Corporation), and private developers. The municipal government controlled the land resources, and the state-owned development enterprise (Dong’ao Corporation) was responsible for leasing the land and mobilizing land resources in a market-oriented approach. Therefore, they are the primary stakeholders. In contrast, the Chinese private sectors in second-tier Chinese cities are only responsible for concrete property development, and they do not have a voice amid the development decision-making process, unlike their American counterparts. Nonetheless, the Chinese growth coalition is effective and efficient because of its close ties with the government.

On balance, Linan’s opinion is very much contrary to that of Zhipeng.

In terms of whether the current Chinese model of urban regulation adapts to the “capitalist market economy,” Linan’s answer is yes, but Zhipeng’s is no.

In terms of whether the Olympic Sailing Centre project reflects market-oriented social management, Linan’s answer is yes, but Zhipeng’s is no.

Thus, the three interviewees’ ideas have contributed a lot to answer my research questions: Whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from the Keynesian-Fordism industrial waterfront to the post-industrial service-based city. How development coalitions are formed and how they function to facilitate the waterfront redevelopment initiatives in Chinese port cities. What concrete off-budget financial instruments and the market ways of mobilizing land resources are used to finance the waterfront redevelopment projects in Chinese port cities?

Please see below the comparison table 4.3 for the three core interviewees that I have collected data from to analyze and illustrate the three core research questions above:

Table 4.3 Comparison of the three core interviewees

	Zhipeng Li	Linan Tian	Ziyin Yao
Interview content	How Olympic Sailing Centre was financed and surrounding development	The rehabilitation initiative of the Zhongshan Road Commercial Street	Concrete financing details of the Olympic Sailing Centre and coalition building
Why they were chosen	He was the secretary of the 2008 Beijing Olympic Sailing Game Organization Committee.	When Qingdao was heavily developing the eastern part of the city (the site of Olympic Sailing Centre), she was in the prime of her	He is the manager of the firm who actually conducted the financing of the project.

		career.	
How they were recruited	Social connection	Fellow alumni of family member	Connection of a family member
Interviewees' comments	The party and government dominate everything; definitely not neoliberalism.	Actually existing neoliberalism	Neoliberalism with Chinese characteristics
How they contributed to answering my questions	His comments contribute to answering the research question: whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from Keynesian-Fordism industrial waterfront to the post-industrial service-based city.	Her comments contribute to revealing the truth about entrepreneurial urban governance in the Chinese port cities.	His comments contribute to answering the research question: how the development coalitions are formed and function to facilitate the waterfront redevelopment initiatives in Chinese port cities.
Compare the interviewees (1) whether the current Chinese model of urban regulation is to adapt to the "capitalist market economy?" (2) whether the Olympic Sailing Centre project reflects market-oriented social management?	(1) No, (2) No	(1) Yes, (2) Yes	Ziyin's point of view complements Zhipeng's and Linan's.

Please see table 4.4, the chronicle of the major city redevelopment events.

Table 4.4 The chronicle of the major city redevelopment events

Year	Events
1992	City hall was relocated to the Fushan Bay area.
1997	The first commercial complex—Jusco—was opened, which marked the beginning of prosperity in the Olympic Sailing Centre Business Circle.
2004	The Beihai Shipyard was completely relocated.

Source: baidu and QDSQ, 2019, organized by author

In Chapter 4, “Neoliberal Uniqueness: Choice of the City,” I discuss the neoliberal features of the city I have chosen, Qingdao. I introduce the general information of Qingdao, the city’s history and geography, the industrial development of the city, and the evolution of neoliberal ideologies and economic development of the city.

In the second part of the chapter, I compare Zhongshan Road Commercial Street and Qingdao Olympic Sailing Centre as the two case studies in a comparison group and introduce why I did that. To deepen the discussion, I further analyze why the traditional inner-city harbour declined and the emerging post-industrial waterfront was booming. The ultimate goal of doing so is to analyze how the growth coalition is constructed and its financing situation.

In the coming chapter, I unfold and analyze the interviews I have conducted. The results of the analyses are based in part on interviews with the interviewee from Beihai Shipyard regarding the shipyard’s relocation. And I interviewed the Deputy Director of Qingdao Planning Bureau regarding the financing of Qingdao Olympic Sailing Centre and the development of the Olympic Sailing Centre business circle.

Other than that, I interviewed the Director of the Committee of Municipal and Rural Construction regarding the Zhongshan Road Revival Scheme. Moreover, I interviewed the manager of Qingdao Dong'ao Group regarding the development mechanism underpinning the redevelopment scheme, the concrete financing details of the Olympic Sailing Centre project, and the information of the state-owned enterprises (Qingdao Dong'ao Group) that actually conducted the financing of the project.

The two chapters (the neoliberal uniqueness chapter and the interview analysis chapter) are highly connected to each other. The relocation of Beihai Shipyard is the result of the manufacturing redundancies caused by the decline of the Fordism industrial landscape, and the deterioration of Beihai Shipyard sets the foundation for the post-industrial waterfront redevelopment of the Olympic Sailing Centre. In addition, the decline of Zhongshan Road Commercial Street is the inevitable by-product of the gentrification and loss of competition with the newly rising neoliberalized Olympic Sailing Centre. The financing of the Olympic Sailing Centre and the composition of the growth coalition of the waterfront redevelopment project both reflect the neoliberal decentralization and the entrepreneurial governance of the increasingly business-like manner of the local public authorities.

Introducing the neoliberal uniqueness in Chapter 4 sets the historical and analytical foundation for the coming arguments and result analysis in Chapter 5. And the cohesion and continuity of the two chapters contribute to the explanation of the dissertation's theme: the building of the growth coalition and the financing of waterfront redevelopment projects under neoliberalism.

## **5. Urban Growth Coalitions and the Transformation of Qingdao**

This chapter examines how the Olympic Sailing Centre project manifests the transformation from the Keynesian-Fordism industrial waterfront to the post-industrial service-based city that happened under neoliberalism. And by reviewing the market way (the investment pattern) of mobilizing land resources to finance the redevelopment projects, I explicitly analyze the building of an urban growth coalition in the case of Olympic Sailing Centre.

After I recruited the six interviewees, I introduced them to the purpose of the study and explained why I chose them as my primary interviewees for the reasons above. Then I gave each of them a series of interview questions to better inform them of my research intentions.

### **5.1 The Transformation from Keynesian-Fordism Industrial Waterfront to Post-industrial Service-based City under Neoliberalism: The Change of the City's Spatial Structure**

The argument in this section is based on: *whether the waterfront redevelopment projects in Chinese port cities reflect the transformation from Keynesian-Fordism industrial waterfront to the post-industrial service-based city (changes of the city's spatial structure).*

Figure 5.1 2003 Beihai Shipyard before relocation; original site of the Olympic Sailing Centre



Source: QDSQ,

<http://qdsq.qingdao.gov.cn/n15752132/upload/180525163243606567/180525163243653425.jpg>, 2018

The relocation of Beihai Shipyard reflects the change of the city's spatial structure: the decline of the western downtown centred by the Zhongshan Road Commercial Street and the rise of the Olympic Sailing Centre Business Circle. The city's spatial structure's change manifests the neoliberal transformation of the Keynesian-Fordism industrial waterfront to the post-industrial service-based city. To be specific, in the following paragraphs, I analyze how the transformation process to the post-industrial waterfront and the ideological change to neoliberal entrepreneurial urban governance reflect the change of the city's spatial structure by describing the history of Beihai Shipyard. Moreover, I compare the development of the London Docklands project under neoliberalism and the physical changes of American inner cities under Fordism based on Vormann's (2018) discourse.

All in all, I illustrate how roll-out neoliberal entrepreneurial urban governance and the city's development regime result in the collapse of the Keynesian-Fordism landscape, thus promoting the changes of the urban spatial structure: the city's eastern

development movement, accompanied by the decline of the western Zhongshan Road downtown area.

As explained earlier, Beihai Shipyard is important because it is the original site of the Qingdao Olympic Sailing Centre. I learned about the development history of Beihai Shipyard, the relocation of the shipyard, the initial selection of the Olympic Sailing Centre's site, and the current land use of the Fushan Bay area from my interview with Yanjie.

According to my preliminary research, the original site of the current Qingdao Olympic Sailing Centre, the eastern bank of Fushan Bay, was the Qingdao Beihai Shipyard. The Qingdao Beihai Shipyard is a century-old enterprise, originally a shipyard built by German colonists in 1898. After nearly 100 years of operation, the Beihai Shipyard has become one of the region's largest, and as Qingdao's shipbuilding industry leader, it is famous for repairing ships both at home and abroad. However, the motivation to move the century-old plant out of Qingdao downtown began in the 1990s. This is mainly because its original site, Fushan Bay, is not deep enough for the construction of large ships. Consequently, the ship repairing business became stagnant, and the shipyard facilities were partially redundant during the 1980s. To adapt to the restructuring of the world's shipbuilding industry and the development of China's shipbuilding industry, Qingdao Beihai Shipyard had to seek a new location.

Please see table 4.2 (p. 212), which shows the historical development of Beihai Shipyard. This study reviews the history of the relocation of Beihai Shipyard and the



important stakeholders amid the process. Reviewing table 4.2 provides a more comprehensive understanding of the shipyard's relocation process. In order to know more details, I first interviewed Yanjie Li, and our conversation mainly focused on the relocation of Beihai Shipyard, how the corporation developed after its relocation, the post-relocation service-industry development of the Fushan Bay area, and some details about how the municipality and the CSIC worked together to facilitate the relocation of the shipyard. The Beihai Shipyard story is correlated with two major themes mentioned in the literature review section: post-industrial waterfront redevelopment and neoliberalism. To be specific, the relocation of Beihai Shipyard and the original industrial site's redevelopment manifest how deindustrialization happened on the urban waterfront. Hall and Clark (2011) indicate that due to the global trend of containerization, more spacious channels and convenient land transportation are needed for adapting to larger container ships. This renders downtown port urban use incompatible with the container terminals, so the port facilities relocate from the city's core to a remote location and upgrade to large-scale port container terminals. Similarly, in Beihai Shipyard's story, the original industrial sites could not accommodate larger container ships' construction, and the shipyard needed to move away to the urban periphery, where the deepwater harbour is located. According to *The History of Beihai Shipyard* (QDSQ, 2018), the shipyard's relocation can be traced back to 1996 when the site of western Haixi Bay was chosen as the future location of Beihai Shipyard. And the year 2001, when Beijing won the right to host the 2008 Olympic Games and the original site of Beihai Shipyard was chosen as

the venue for the Olympic Sailing Games, was a huge milestone. The municipal government and the Beihai Shipyard corporation together had set the goal to “Successfully Hold the Olympic Sailing Games while Promoting the Development of the Shipbuilding Industry.”

In general, the relocation of Beihai Shipyard ushered in the redevelopment of the Olympic Sailing Centre to manifest the transformation of the city’s physical spatial structure. On balance, according to Schubert (2011), waterfront redevelopment is significant because the waterfront provides space for cities to transform into a post-industrial society. The Olympic Sailing Centre exerts a significant impact on the “socio-cultural changes and spatial restructuring process” (Schubert, 2011, p. 75) in Qingdao’s coastline. The London Docklands redevelopment initiatives were mostly property and office-led redevelopments, and they were developed against the backdrop of privatization, deregulation, neoliberalism, and marketization. The Olympic Sailing Centre’s redevelopment also proceeded based on the market mechanism, although the Qingdao municipal government coordinated the overall financing process. Furthermore, Beihai’s previously empty warehouse and derelict shipyard have been transformed into a commercial complex and tourist attractions. The booming new Olympic Sailing Centre has made the previously isolated waterfront and Beihai Shipyard become a “regional-oriented sustainable development” (Schubert, 2011, p. 82). In addition, the deindustrialization process in the Fushan Bay area exemplifies how the dilapidated waterfront became the space of hope for post-industrial growth and high-end redevelopments. Schaller and Novy

(2011) specify that one of Bloomberg's prominent initiatives was to reconstruct the deteriorated industrial waterfronts by initiating projects/property-led regeneration to build marinas, hotels, office buildings, and apartments to create the post-industrial service-oriented waterfront. Schaller and Novy (2011) also state that polluted industrial waterfronts are dilapidated and declining, but they serve as the right niche for commercial and residential development. Both the London Docklands and the New York waterfront cases are very similar to the Qingdao Olympic Sailing Centre project's redevelopment trajectories, as the derelict and redundant Beihai Shipyard was reconstructed into a service-oriented Olympic sailing centre.

From the perspective of ideological change, derelict Beihai Shipyard's redevelopment exemplifies the transformation from a Fordist industrial city to a post-industrial service-oriented city. And it presents the industrial upgrading—from ships to chips. Vormann (2018) also argues that the crisis of Keynesian-Fordism (the industrial relic of Beihai Shipyard) is due to the devaluation that is rooted in the stagflation of economic development and the characteristics of the Keynesian-Fordist system (mass consumption and mass production). According to Vormann (2018), the North American cities adopted neoliberal strategies (urban entrepreneurial governance strategies) to respond to Fordist production's collapse. The relocation of Beihai Shipyard and the Qingdao Olympic Sailing Centre's redevelopment initiative could be seen as a means to enhance Qingdao's competitiveness via overcoming the city's stagflation crisis. Vormann (2018) also states that the process of deindustrialization was promoted and accelerated by the neoliberal political realignment. Vormann (2018)

explains that derelict harbour spaces are the symbols of declining American inner cities; the deindustrialization caused by the neoliberal turn also obsolesces the industrial cityscape and leads to devaluation and redundancy. The progressive technological innovation and politics-oriented economic restructuring thus have obsoleted the previous Fordist industrial sites, signifying the end of Fordist industrialism and the dawn of the post-industrial era. The Qingdao Olympic Sailing Centre's case exemplifies this transformation from Keynesian-Fordist industrial artifacts to neoliberal post-industrial developments.

The destruction and relocation of Beihai Shipyard is the manifestation of the collapse of the Keynesian-Fordist landscape, while the rise of the Shinan District and the construction of the Olympic Sailing Centre reveal how the roll-out neoliberal redevelopment replaces old industrial artifacts in urban centres. Amid the transformation process, the redevelopment coalition centred by the municipal government and state-owned redevelopment corporations in Qingdao mainly spearhead the change.

The urban regime formed by the public authority and enterprise has a theoretical root in North American urban politics. Hackworth (2007) defines an urban regime as a way for public and private interests to function together to carry out governing decisions, and its goal is to initiate development and retard disinvestment. Regime theory helps to understand neoliberal urban governance in the Qingdao Olympic Sailing Centre's case. Brenner and Theodore (2002) also indicate that creative destruction can be defined as "destruction of extant institutional arrangements and

political compromises through market-oriented economic growth, commodification and the rule of capital” (Brenner & Theodore, 2002, p. 374). Thus, the relocation of Beihai Shipyard can be seen as the destruction of Fordism artifacts. As Peck and Tickell (2002) define, roll-back neoliberalism refers to the destruction and dismantling of the Keynesian welfare state, and the relocation of Beihai Shipyard manifests the destruction of Fordism.

I learned more about the overall image of the city’s neoliberal movement of eastern development from my interview with Linan Tian. She described the specific tasks she had undertaken and the historical background at that time. Basically, she confirmed that the city’s economic centre shifted from the Zhongshan Road area to the city’s eastern part, the Fushan Bay area. She offered rich and detailed stories about the dynamics of urban development at that time.

Moreover, she explicitly illustrated the municipality’s top-design for fostering business activities and associations in the Olympic Sailing Centre business circle as a means to promote entrepreneurial urban governance (Hackworth, 2007). Aimed at transforming the derelict waterfront, entrepreneurial strategies were adopted to encourage property-led economic development that extracts value from land development (Weber, 2002).

#### 5.1.1 My interviewee’s Opinion on Neoliberal Urban Spatial Transformation

My interview with Zhipeng, however, involved his denial of neoliberalism. The questions I asked him focused on whether the shipyard’s relocation and the redevelopment of Olympic Sailing Centre reflect the roll-back destruction of

Keynesianism and roll-out neoliberalism of institutional creation, whether the redevelopment of Olympic Sailing Centre reflects the neoliberal entrepreneurial urban governance (Hackworth, 2007), what specific financial instruments were used to finance the Olympic Sailing Centre project, and the role of private sectors. There were some intellectual difficulties during the interview, not because he did not understand my questions (or the specialized concepts in the questions) but because we had different interpretations about the questions and the concepts. I talk about my understanding of how he thinks in the following paragraphs.

Zhipeng believes that China's previous state-planned economy was not Keynesianism (as I have mentioned earlier, the state ownership and five-year plans of pre-open-door China were not the same as Keynesianism, though there were similarities). He holds that view because the planned economy requires the government to formulate a detailed five-year plan. In contrast, Keynesianism is just about government regulation without formulating a concrete five-year plan. Moreover, he emphasizes that the current Chinese urban development strategies are not neoliberal urban entrepreneurial strategies because the current Chinese model of social regulation is not neoliberalism. Namely, neoliberalism cannot happen in China. He states that in terms of social construction, the Chinese government still pursues the people-oriented ideology, while the beneficiaries of neoliberalism are the corporate elites.

Zhipeng argued that in terms of urban construction and economic development, the Chinese government has adopted the model of government-led social participation

and market-oriented operation, which is embodied in the guidance of urban planning, industry-oriented guidance, financial and financial support, and the policy of “Double Attraction” (attracting investment, finance, and intelligence) to regulate and control the trend of the market investment. The purpose of doing so is to promote the combination of financial and market capital and jointly promote urban development. Thus, Zhipeng explained, this is not neoliberal entrepreneurial urban governance but the socialist urban governance with Chinese characteristics.

Zhipeng opposes what Hackworth (2007) believes about how neoliberal development substitutes the Keynesian managerialism landscape. He believes that the previous and current Chinese urban development strategies are both inherently different from western experiences because of Chinese society’s existing realities.

I believe that the essence of Chinese cities’ waterfront development strategies since the 1980s is leveraging market power to facilitate urban construction and revive the older industrial inner-city port areas. Thus, the tenet of the Olympic Sailing Centre development is neoliberal urban entrepreneurial governance under the cover of socialist urban governance with Chinese characteristics in the name of the people. However, there would still be variations between the orthodox neoliberal ideology in the North American context and Qingdao’s actual situation because of the specific relationship between the municipal government and the private sectors in second-tier Chinese cities. The vitality of waterfront redevelopment projects in Qingdao is affected by the closeness and dynamics of government connections. Amidst the interurban competition in Chinese cities, the downward neoliberal shift of states’

financial power has made the municipalities tap into local property tax revenues to rely on the private real estate market (Weber, 2002). Neoliberal redevelopment policies are thus used by the states to propel property investment activities (Weber, 2002). The Qingdao Olympic Sailing Centre's financing process is an appropriate paradigm of utilizing private capital under neoliberal ideology.

According to the redevelopment and financing story of the Olympic Sailing Centre, the urban commercial cores and CBDs (Fushan Bay area) have become the "billboard" of exhibiting neoliberal governance through constructing great mega-projects (Hackworth, 2007). Central cities become the arena of neoliberal experimentation and showcases of neoliberal policies (Brenner & Theodore, 2002). The redevelopment of the Olympic Sailing Centre project instantiates "creative tendencies," which refer to politically reorganization and institutionally rebuilding that have undergirded the neoliberal market discipline (Brenner & Theodore, 2002). Cities therefore become supporters of urban entrepreneurialism, and interurban competition shapes urban entrepreneurialism (Brenner & Theodore, 2002). So cities compete with each other under the logic of interurban competition, and this process is underpinned by urban transformation and revitalization (Brenner & Theodore, 2002). In the same vein, the Qingdao Olympic Sailing Centre was used as a flagship project and an entity of spatial capital accumulation for the neoliberal interurban competition in China (Weber, 2002).

In retrospect, the relocation of Beihai Shipyard and the redevelopment of the Olympic Sailing Centre project have manifested that waterfront redevelopment



investments are designed to transform derelict waterfront industrial sites into “communities of hope” (Desfor & Laidley, 2011, p. 3). The Olympic Sailing Centre’s redevelopment story is a great paradigm of transformation from a Keynesian-Fordist landscape to a post-industrial service-based city against a neoliberal context. The relocation of Beihai Shipyard and the Olympic Sailing Centre’s redevelopment exemplify the transformation process of a city’s spatial structure. The next section is about financing the relocation process and the Olympic Sailing Centre project.

## **5.2 Market Way of Mobilizing Land Resources to Finance the Redevelopment**

### **Projects: The Investment Pattern**

The argument in this section is based on: *What financial instruments are available for the redevelopment projects? What market ways of mobilizing land resources are used to finance the waterfront redevelopment projects in Chinese port cities? What is the investment pattern amid financing the projects?*

Figure 5.2 The new city hall and the May 4<sup>th</sup> Square in 1994, Olympic Sailing Centre Business Circle



Source: Zhang Yan, [http://www.cnr.cn/sd/sd/20180524/t20180524\\_524245999.shtml](http://www.cnr.cn/sd/sd/20180524/t20180524_524245999.shtml), 2018

### **5.2.1. Financing of the Beihai Shipyard’s Relocation**

In my interview with Yanjie, he introduced the investment pattern of the relocation of Beihai Shipyard and how the relocation process was financed. The cost of relocating Beihai Shipyard was 1.78 billion yuan (329 million CDN), and it was mainly undertaken by the state-owned development company called Dong'ao Corporation. On February 12, 2002, the Beihai Shipyard, the municipal government, and Dong'ao Corporation finally signed the "The Agreement of Relocation," which stipulated that the Qingdao Dong'ao Corporation would raise 1.78 billion yuan (329 million CDN) of commercial loans and pay the relocation land compensation fees in installments according to the relocation agreement. On June 30, 2004, facilitated by the city municipal government, Beihai Shipyard was relocated as planned, with a total relocation cost of 1.78 billion yuan (329 million CDN) and a total of 148,000 cubic metres of construction waste cleared and transported. A total of 736,000 square metres and nearly 100,000 square metres of buildings had been demolished. During the relocation phase of Beihai Shipyard, Qingdao Dong'ao Corporation adopted syndicated loan financing to raise 1.78 billion yuan, of which the Qingdao municipal government provided 1.5 billion yuan of credit guarantee while Qingdao Dong'ao Corporation pledged 300 million yuan in cash. The financing of Beihai Shipyard's relocation and the Olympic Sailing Centre's redevelopment project are two independent events. Nevertheless, the Qingdao municipal government played a leading role in spearheading the financing activities of both events. Please see the following paragraphs for how the financing of the Olympic Sailing Centre redevelopment project was conducted.

According to Desfor and Laidley (2011), waterfront redevelopment projects are designed to upgrade the waterfront industrial sites to improve commercial and residential land use and extract value from property-led economic development. The goal of waterfront redevelopment initiatives, then, is to revive older industrial inner-city port areas. So, the essence of the Olympic Sailing Centre's financing is to ensure the appreciation and preservation of the value of the real estate investment. Hackworth (2007) indicates that gentrification is how private development replaces Keynesian egalitarianism in the real estate market. In the U.S., the 1970s federal cutbacks triggered the reformation of real estate finance. Consequently, it was synchronized with the destruction and displacement of Fordism and Keynesianism by neoliberal production and neoliberalism. As mentioned earlier, the Qingdao Olympic Sailing Centre's case exemplifies the transformation from Keynesian-Fordist industrial artifacts to neoliberal post-industrial developments. Correspondingly, the financing of the Olympic Sailing Centre project is highly market-oriented.

After the Beihai Shipyard was relocated to the Haixi Bay area, the shipyard's original site was up-zoned and redeveloped into the Qingdao Olympic Sailing Centre, where the 2008 Olympic Sailing Games were held. I needed to learn the concrete development, financing situation, and the Olympic Sailing Centre redevelopment project's ideological motivation through this interview with Zhipeng Li.

#### 5.2.2. The General Financing of the Olympic Sailing Centre project

During my interview with Zhipeng, he laid out how the Olympic Sailing Centre project was financed. The financing was based on the platform of state-owned

enterprises. The government coordinated, and state-owned enterprises raised funds simultaneously to accomplish the construction task. According to the *Feasibility Study Report of the Twenty-ninth Olympic Games International Sailing Centre Construction Project* (Li, 2007), the total investment of the Qingdao Olympic Sailing Centre project was 1.5 billion yuan, including the water-area and land-area projects. The total cost of the water-area project was 315 million yuan, including the Fushan Bay dredging project, primary and secondary breakwaters, measuring hall wharf, Olympic Memorial Wall Wharf, berthing basin, and launching ramp. The total cost of the land-area project was 1.185 billion yuan, including the administration and competition management centre, Qingdao Olympic Village, athletes centre, media centre, logistics support and supply centre, and the environmental supporting projects. Since the Qingdao Olympic Sailing Centre project is located in the golden area of the city centre, the total investment of 1.5 billion yuan (300 million CDN) was raised through flexible market-oriented means such as mobilizing land resources, carrying out market-oriented operation of the infrastructure facilities to attract private investment.

According to the *Feasibility Study Report of the Twenty-ninth Olympic Games International Sailing Centre Construction Project* (Li, 2007), after the competitions, the land area available for development was 17.10 hectares, which was divided into seven large plot areas. The types of land use include business offices, residential apartments, and cultural leisure and tourism services, with a total construction area of 310,600 square metres. Please see table 5.1 and figure 5.3 (the land-use map) from the

*Feasibility Study Report of the Twenty-ninth Olympic Games International Sailing Centre Construction Project* (Li, 2007). Table 5.1 below shows the details of the report and the utilization and development of the facilities following the Olympic Games. The report also examines how the funds were raised through marketized mobilization of land resources.



Figure 5.3 Numbers of parcels of land around Qingdao International Sailing Centre

Source: author

Figure 5.3 shows that Plots 30 and 31 are far away from the Olympic venues, however, the pre-competition development of these two plots was completed before 2006. The income of mobilizing these land resources was used for financing the Olympic Sailing Centre project. The layout, the detail of building blocks, and the

division of the parcels of land are very similar to that of HafenCity in Hamburg, which is manifested in plan-led mixed-use office space, housing, and shopping and recreation facilities, according to Schubert (2011).

Table 5.1 Post-competition planning of Qingdao Sailing Centre and surrounding land for the 29th Olympic Games

	Plot	The nature of land use	Land area	Development plan
1	Plots 28 and 29	Commercial and residential use	3.5ha	Ground construction area 69,600 m <sup>2</sup> Underground construction area 15,000m <sup>2</sup> Plot ratio 2.0
2	Plot 30	Parking lot for cultural, leisure, and social activities (including 8,500m <sup>2</sup> above-ground parking garage)	3.8ha	Ground construction area 27,500 m <sup>2</sup> Above-ground parking garage 9,000 m <sup>2</sup> Plot ratio 0.72
3	Plot 31 west	Tourism service	2.2ha	Ground construction area 29,000m <sup>2</sup> Underground construction area 1,500 m <sup>2</sup> Plot ratio 1.27
4	Plot 31 east	Cultural, leisure, and tourism services	2.8ha	Ground construction area 40,000m <sup>2</sup> Underground construction area 1,5000m <sup>2</sup> Plot ratio 1.43
5	Plot 32	Tourism service	2.0ha	Ground construction area 26,500m <sup>2</sup> Underground construction area 12,000m <sup>2</sup> Plot ratio 1.375
6	Plot 33	Tourism service	1.0ha	Ground construction area 10,000m <sup>2</sup> Underground construction area 5,000m <sup>2</sup> Plot ratio 1
7	Long dike pier	Cultural, leisure, and	1.8ha	Ground construction area

		tourism services		9,000m <sup>2</sup> Underground construction area 12,000m <sup>2</sup> Plot ratio 0.5
8	Total area		17.10ha	Ground construction area 211,600m <sup>2</sup> Underground construction area 99,000m <sup>2</sup> Weighted plot ration 1.185

Source: *Feasibility Study Report of the Twenty-ninth Olympic Games International Sailing Centre Construction Project* (Li, 2007)

To understand the details of the financing of the Olympic Sailing Centre project and how the market mobilization of the seven pieces of land helps to recover the investment, I interviewed one of the project managers, Ziyin Yao, in the Qingdao City Construction and Investment Group (The Dong’ao Group was its predecessor).

### 5.2.3 The Detailed Financing: Ziyin’s Interview on Marketed Mobilization of Land Resources to Recover Investment

Ziyin explained that the original site of Beihai Shipyard covers a total area of 450 hectares. Today, the land use of Plot 31 is Baili Plaza, a high-end shopping mall. The land use of Plot 30 is Hisense Plaza, one of the shopping malls that has the highest annual turnover in Qingdao. The land uses of Plot 28 and 29 are two residential communities, and they are, respectively, Baili Plaza and Lanting Villa. The land use of Plot 33 is the Olympic Sailing Museum and of Plot 32, the Qingdao Olympic JLIFE shopping mall, which includes global shopping services, cultural and creative industries, a featured food hall, and luxury collection stores. The land use of Plot Long Dike is a street of bars.

Plots 28, 29, and 31 were sold to Taishan Real Estate Group through a bundled auction in 2007; later, the Taishan Real Estate Group developed the plots for Baili Plaza, Baili Plaza, and Lanting Villa. The winner of Plot 30 was the Hisense Group, and the deal was completed in 2008. This plot was eventually developed into Hisense Plaza (commercial complex). The rest of the plots were not auctioned and still belong to the Dong'ao Group. After the 2008 Olympic games, the rest of the plots were transferred to the City Construction and Investment Group, under the operation of the Qingdao Tourism Group. Neither of the companies participating in the auction (the Taishan Real Estate Group or the Hisense Group) were government partners; rather, both were market competitors.

Ziying also told me that the land price per buildable square metre for Plots 28, 29, and 31 (the Baili, Lanting Villa, and Baili Plaza) were 6,500 yuan, while the land price per buildable square metre for Plot 30 (Hisense Plaza) rose to 9,000 yuan due to auction bidding. Nevertheless, after the auction, the Hisense Group required auction subsidies (present-value subsidies) from the government, arguing that they had been contributing to the government's preparations for the 2008 Olympic Games. The Qingdao municipal government eventually agreed to provide the auction subsidies (financial concessions) to the Hisense Group for the extra part (the spill-over value) of the land price per buildable square metre. In this way, the municipal government became more businesslike, cutting deals with the Hisense Group through hard negotiations. This has shown that the Qingdao municipal government has become more entrepreneurial, doing business with the private developers to facilitate the



financing of waterfront redevelopment projects (Sagalyn, 1990). Ziyin told me that the government's compensation measure exemplifies how it flexibly used the land leverage to increase investment in the tertiary industry (the case is the provision of financial support for the development of Hisense Plaza) in promoting urban economic transformation. As Lin and Yi (2011) state, land resources have been a significant asset to increasing urbanization as well as promoting local capital accumulation. The authors use the experiences of Jiangsu Province to illustrate how land development contributes to the creation of local revenue and capital accumulation for the municipal government to facilitate the development of local industries and local economic development (Lin & Yi, 2011). Lin and Yi (2011) reason that the "system of fiscal responsibility" reformation has enticed municipal governments in China to initiate land development projects to promote local public finance because local governments are allowed to keep the surplus profits earned from local redevelopment projects after a lump-sum payment to the central government every five years. Thus, the fiscal system's decentralization has directly emancipated the motivation of urban redevelopment projects in Chinese cities. According to Ye and Wu (2014), urbanization across China is being used by the municipalities to extract revenues. And this dependence on benefits from land development is a key feature of the Chinese urbanization process because urban land is increasingly becoming the most significant capital source for China's local governments (local public finance) (Ye & Wu, 2014). In China, the local governments are responsible for more than 80 percent of fiscal expenditures, with only 50 percent of revenues mainly earned from capitalizing land

resources (Ye & Wu, 2014). Urban land therefore is important because the municipalities depend on extracting large profits from the process of land-use change to promote local economic development and facilitate the urbanization process (Ye & Wu, 2014). The strategy used by the Qingdao municipal government is very similar to the American municipal government's use of UDAG to leverage private investment (Sagalyn, 1990). The strategy of "present-value subsidies" was used amid the financing process of the Hisense Plaza project (Sagalyn, 1990), which resonates with what was introduced in Chapter 2, the present-value subsidies (low-interest loans to the private sector) adopted by the U.S. public sector in the Horton Plaza project in San Diego. In retrospect, the financing of Beihai Shipyard's relocation and the Olympic Sailing Centre's redevelopment project are two independent events. Nonetheless, the Qingdao municipal government plays a leading role in spearheading the financing activities of both events.

Private financing is involved in the process of raising funds in the form of auctioning and developing the old site of Beihai Shipyard. The Taishan Real Estate Group and the Hisense Group are the two private developers that contributed to financing the redevelopment of the Olympic Sailing Centre Business Circle. Amid the redevelopment process, as the initiator of the project, the Qingdao municipal government chose the contractor of the Olympic Sailing Centre project—the Dong'ao Corporation—through legal procedures. A special project company was formed and funded by the Dong'ao Corporation to invest, finance, and construct during the construction period. The government recovered the investment from the Dong'ao

Corporation payment according to the agreement after the project's completion and the auction revenues received from the Taishan Real Estate Group and the Hisense Group. Thus, the municipal government and private developers cooperated to form a governing coalition, assuming their respective responsibilities, that facilitated the financing and construction of urban redevelopment projects (Stone, 1989).

The market-oriented use of venue facilities after the Olympic Games also helped the government investors recover part of their costs.

Table 5.2 List of post-competition facilities

number	Names of the facilities	Post-match use
1	Administration and competition management centre	National Sailing Training centre
2	Olympic Village, athlete centre	Five-Star hotel
3	Olympic Wall Wharf	Tourism development, exhibition
4	Logistics Centre	Supermarket
5	Media Centre	Yacht club facilities
6	Berth Wharf	Yacht club
7	Survey hall and auxiliary Wharf	Commercial development, cruise terminal

In summary, Qingdao Olympic Sailing Centre invested 3.28 billion yuan (1.5 billion for the Olympic Sailing Centre construction + 1.78 billion for the relocation of Beihai Shipyard), and with 340 million in hosting costs, the total direct investment was 3.62 billion yuan. Through the market-oriented operation of transactions from the surrounding land and post-competition use of venue facilities, the total income was about 4.53 billion yuan, which not only recovered the investment but also achieved a net profit of 910 million yuan, with a yield of 25.1 percent.

In terms of the use of post-Games facilities, the Olympic Village was transformed after the games into a five-star hotel with a one-off revenue of 1.221 billion yuan. The media centre was transformed into the Olympic Sailing Museum and a yacht centre, with an annual revenue of 324 million yuan. The athletes centre was transformed into catering and leisure facilities, with an annual revenue of 640 million yuan. The Logistics Centre was reconstructed as a government reception hotel, with an annual revenue of 288 million yuan. There are about 600 marinas in total, which continue to be rented since the competitions. The average rental unit price is 100,000 yuan per year, and the annual income can reach 60 million yuan. There are 76 rooms in the Long Dike pier, which are developed for commercial hotels, yacht maintenance and management shops, tourism commodity retail stores, etc., with annual revenues of 100 million yuan.

In contrast, the Zhongshan Road Commercial Street has become deteriorated due to its failure to leverage private investment, and I dig more in-depth into this in the following section.

#### 5.2.4. The Lessons of the Decline of the Zhongshan Road: Failure to Leverage Private Investment and People Factor

Hall and Clark (2011) specify that since cargo ports are relocated and are far from the traditional locations, the traditional maritime trade core of the city consequently becomes blighted. Moreover, Schaller and Novy (2011) indicate that waterfront revitalization initiatives promote property-led economic development that aims to facilitate entertainment land-use development and the revival of old commercial

districts in the unoccupied land. The decaying and revitalizing attempts of the Zhongshan Road Commercial Street corroborate the above discourses.

Before the Olympic Sailing Centre business circle emerged as the city's economic centre, Qingdao's economic centre was in the Zhongshan Road area. As mentioned earlier, as the Director of the Committee of Municipal and Rural Construction, Linan Tian is the best person to interview about the decline of the Zhongshan Road area and the development of the eastern part of the city. During my second meeting with Linan Tian, we mainly discussed Zhongshan Road Commercial Street. She explained how the street was declining and neglected by the municipality from the city planner's perspective. And she elaborated on the importance of leveraging private reaction and private sector participation. She explained that the failure of Zhongshan Road Commercial Street, compared with the Qingdao Olympic Sailing Centre business circle, shows that Zhongshan Road's revival plan failed to leverage private investment.

In order to fully understand the previous situation of Zhongshan Road Commercial Street, the difficulties of reviving the area, and the reasons behind the difficulties, I interviewed the director of Zhongshan Road Revitalization Task Force (a government office under the Bureau of Qingdao Development and Reform), Xinan Wang, who is the expert of the Zhongshan Road revitalization scheme. What he told me is also supported by his work: *Zhongshan Road Rehabilitation Notes, Revival Plan for Zhongshan Road Commercial (Tourism) Street, and Industrial Orientation of Zhongshan Road Commercial Street (Wang, 2010)*.

Figure 5.4 Part of Zhongshan Road Commercial Street (Pichai Yard Notes, Wang, 2010)



Director Wang has been in charge of the rehabilitation project of Zhongshan Road for more than fifteen years. Talking with him was an unforgettable learning experience. Moreover, talking with him has fundamentally changed my understanding of the methods and difficulties of the Zhongshan Road rehabilitation scheme. Director Wang provided me with many details of how the rehabilitation of Zhongshan Road Commercial Street was implemented. Before communicating with him, I thought the major difficulties or obstacles in the Zhongshan Road Rehabilitation Scheme would be objective factors such as the dilapidated architectures or lack of private capital. The difficulties of reviving most waterfront development projects lie in these two points. According to Schubert (2011), the emphasis of urban redevelopment is to transform derelict industrial warehouses, which are rebuilt into luxury residential and commercial housing for the additional value added. Schaller and Novy (2011) illustrate that derelict waterfronts are a space of potential post-industrial growth and commercial redevelopment because of their dilapidated status. It is similar to what

happened in New York City; the major obstacle for Bloomberg in reconstructing the New York waterfront was clearing the abandoned industrial harbour. Other than that, one of the key features of assembling financial support for waterfront redevelopment after the Keynesian-Fordism crisis in the 1970s around the world was to solicit private capital, but this is difficult as well (Sagalyn, 2007). However, I am wrong to assume that environmental decay is a barrier to major urban development. Director Wang illustrated the core of the Zhongshan Road Rehabilitation Scheme through enumerating multiple instances of the struggle between government and residents. It turns out the major difficulties in reviving the Zhongshan Road Commercial Street lie in the human factor: people. At the core of Director Wang's point of view is that only by solving the problem of people can Zhongshan Road really radiate its original vitality and achieve the actual effect of rehabilitation.

I got to learn the details from Director Wang about the rehabilitation scheme's difficulties as they relate to what, according to him, is the vital factor: people. And I believe readers will not only get a glimpse into various aspects of Chinese urban society today through his description but will also have a general understanding of the social mentality of Chinese urban citizens. Readers will be surprised to find that the greed of human nature itself, which is more subjective than other objective factors, is the most important factor determining the success of the Zhongshan Road Rehabilitation Scheme.

From my perspective, the Zhongshan Road Rehabilitation Scheme is more like the U.S. postwar inner-city renewal scheme, which was an ill-fated program. This is

because postwar inner cities in the U.S. were doomed to be unable to compete with the new national economic engine: the emerging suburban areas (Critchlow & VanderMeer, 2012). I believe the Chinese counterparts of the U.S. postwar urban- and suburban-renewal program are the Zhongshan Road Revival Scheme and the Olympic Sailing Centre Business Circle. Zhongshan Road Commercial Street is less competitive than the Qingdao Olympic Sailing Centre Business Circle because the latter has a competitive market advantage (it has economic vitality as a business centre due to the concentration of commercial resources) and government support.

Director Wang introduced me to the past and present life of Zhongshan Road Commercial Street. Before the German occupation in 1897, the Zhongshan Road area had already been developed as a market for firewood and groceries. After 1898, the German colonial authority planned the Zhongshan Road area as the residential and commercial precinct of Chinese living in Qingdao. Over time, the area along Zhongshan Road gradually developed from the original firewood market to a food centre. Because many people who came to the market were hungry, there was demand for a catering industry. Some people came from far away to go to the market, thus it is natural that they were hungry when they arrived. This is the primary reason for the rise of the catering industry in the Zhongshan Road area. From the early days of German occupation to the late 1940s, the characteristic snack food industry of Zhongshan Road was burgeoning and very famous in the region. Around the Zhongshan Road area, there were many restaurants and food stalls. Fried dumpling, steamed stuffed bun, wonton, and tofu pudding were the most famous. Zhongshan



Road had become the earliest Food City in Qingdao. Later, a lot of high-end restaurants opened near Zhongshan Road, attracting many middle-class customers. Today, many long-established brands have been operating for a hundred years. Since the 1920s, the Zhongshan Road area had all kinds of snacks, all kinds of department stores, and a famous entertainment place. All types of cinemas, acrobatics, and other entertainment activities dazzled and attracted visitors from all over the nation. Eventually, Zhongshan Road as a business district was recognized by Qingdao citizens.

However, I remember an old Chinese proverb, saying, “A man is never happy for a thousand days, and a flower never blooms for a hundred.” The Zhongshan Road Commercial Street eventually declined due to the construction of an expressway around the northwest corner of the street in the 1990s. A rumour that the architecture would be demolished and rebuilt frustrated the merchants’ confidence in maintaining operations in Zhongshan Road Commercial Street. And this can be linked to the American urban renewal experiences. The dilapidated building structure of central cities, the derelict infrastructures, the narrow streets and limited space for parking eventually led to the decline of American inner cities after WWII, but in the meantime, stimulated demand for urban renewal activities. The American highway planners also targeted dilapidated neighbourhoods as the objective of construction (Altshuler & Luberoff, 2003). A few years later, in the late 1990s, the eastward relocation of city hall and the rise of Olympic Sailing Centre Business Circle deteriorated the economic vitality of the Zhongshan Road Commercial Street.

But as I mentioned earlier, the most significant driving force and also resistance to the rehabilitation of Zhongshan Road Commercial Street Scheme lies not in the objective factors, but the subjective: people. Before the Zhongshan Road Rehabilitation Scheme officially started in December 2007, residents of the Zhongshan Road area had repeatedly petitioned the municipal government on different issues, and their demands were also different. From May 2007, every week about 20 or 30 residents, who had been enduring the dilapidated houses for many years, came to the district's government for petitions, demanding the immediate demolition of their communities and their relocation, away from the dilapidated homes and muddy roads. Over the years, the government had been neglecting the ageing buildings on Zhongshan Road, thus the residents asked the government to introduce policies to solve the problem.

The government's rehabilitation policy was to adopt the old way. The road scale, building height, building shape, and basic building material frameworks were unchanged to maintain the area's original historical style. In order to improve the residents' living environment, two ways of compensation were adopted for this demolition: housing and monetary compensation.

Those first petitioners were the most eager to improve their living environment and had been haggling with the government. When Director Wang got the demolition compensation they had asked for, they chose to stay rather than leave because they wanted higher compensation. They complained that the appraised valuation of houses was too low because the government had asymmetric information. This eventually led

to a delay in the rehabilitation scheme.

In China, the government's take-over of civilians' properties used to be expropriated without proper compensation. But recent years, China's "new-type urbanization" emphasized community participation, citizen consent, and sustainable development in urban redevelopment. For example, in some Chinese cities like Guangzhou, the large-scale demolitions are forbidden until the redevelopment initiatives gain 60%-70% consent from the local residents with appropriate compensation.

Hence, it was their own greed that left their living environment unaltered for even longer. According to the relocation policies won by Director Wang on their behalf, their original living area of 15 square metres generally speaking could be replaced by 65 square metres of residential housing in a newly gentrified area of the city. The relocation policies therefore were very generous to the residents.

Nevertheless, some petitioners were still not satisfied with the compensation policies. According to Wang (2010), many of the residents were actually gangsters. One resident, Shujun Li, strongly opposed the demolition and revitalization scheme of the Zhongshan Road area. Since the reconstruction project's 2007 initiation, he had been publicly cursing the district government and main government officials of the rehabilitation project in his community because he believed that the appraised valuation of his home was too low, and he would not leave without "proper" compensation. In fact, his house was only nine square metres, and if he asked for

monetary compensation, according to the compensation policy, he could get 320,000 yuan. Or, if he wanted to resettle in another place, he could get a house of more than 65 square metres. Even though the revitalization scheme had brought him such tremendous benefits, he was still unsatisfied. He and his nephew were drunk every day, holding a bottle of beer with a vicious dog to block the construction and revamp of architecture in the community. No construction workers dared to dissuade Shujun Li, who was just one of the thorny petitioners, for fear of being beaten. There were many similar stories. Some residents who were not satisfied with the compensation policies formed their own “house protection team” to prevent the construction team from carrying out normal reconstruction. They organized more than 20 people, holding knives and sticks, and often drove out the construction workers. The above examples are of the residents. You might think the shop owners of Zhongshan Road would not obstruct the rehabilitation scheme because they are the beneficiaries of this transformation. The lesson in this story allowed me to realize that the merchants were also part of the obstacles to this reconstruction process. They have also created many troubles for the rehabilitation scheme. Shujun Li’s story helps me to illustrate the reasons leading to the failure of the Zhongshan Road revitalization scheme: the inertia of people.

Director Wang mentioned that many shop owners required subsidies from the government, even though the district government agreed to rehabilitate their dilapidated buildings for free. One of the businessmen beat up the construction workers and falsely accused them of stealing his two mahogany chairs, which were

worth 500,000 yuan. The businessmen just wanted to coerce the government into giving them more subsidies.

In terms of understanding the situation under a social science framework, it is important to know why the Zhongshan Road residents were fighting so hard. The Zhongshan Road residents had always insisted that their interests had been infringed upon and exploited by the real estate developers' redevelopment initiatives. They devoted continuous efforts to acquire the Qingdao city government's concessions, and they believed that the Qingdao municipal government should always defend their interests no matter what. According to the Chinese Communist Party's ideology, the government should "exercise power for the good of people," which is the basis on which they tried to coerce the city government to acquire its concession. The Zhongshan Road residents deeply believed that they were legitimate in doing so because they believed the traditional Maoist notion that the "masters of Red China" are mainly constituted by workers and farmers, so the masses are legitimate for requiring state protection (Harvey, 2005). Consequently, the residents were acting like this to "make the state live up to its revolutionary mandate" (Harvey, 2005, p. 150). This also reflects the fact that members of the development coalition (local government and private developers) share a common interest, and they function together to extract value from land investment, which can relate to my second research question.

I think the main problem lies in the imperfection of the Chinese legal society, a

society in which citizens abide by the laws. Most Chinese people simply do not have the common sense to accept that society should be ruled by laws. This is because, for a long time, the country has been governed by the rule of the Chinese Communist Party (Ye, 2017). The Chinese people only understand the party rules but not national laws, which leads to a situation where the party's rules are more significant than the national constitution in the minds of the masses (Yu, 2010). That is why the legal consciousness of the people is so weak.

Eventually, the strategy that Director Wang adopted to grapple with the troubles was to persuade the key petitioners first to win support from the relocated households that supported government policies. Then the government officials persuaded the waiting petitioners one by one and finally succeeded in convincing all the residents to complete the demolition and relocation of a total of 370 households. The negotiation process was extremely difficult. Director Wang showed me the verbal confrontation (the exchange of angry words) between him and the relocated families when he was describing the situation to me. I was deeply impressed by how they abused each other. Director Wang was not so much negotiating with these residents about compensation for demolition as they were verbally abusing each other. Whoever scolds and wins was equivalent to persuading the other party. Please note that this is not the culturally appropriate way of engaging in an argument for Chinese people. I am just saying this to reflect the intensity of the verbal fight. Moreover, sometimes the only way to cope with problems is to compromise out of consideration for the general interest, because some petitioners' demands were so unreasonable that you could do nothing about

them. For instance, one resident came to Director Wang's office, requiring the reconstruction team to fix his air conditioner. The resident persistently insisted that it was the reconstruction of Zhongshan Road that had caused the air conditioner in his home to break down. And he insisted that he would not leave if Director Wang did not agree to help repair his air conditioner. Later, all the family members of this resident came to Director Wang's office, not leaving without Director Wang's agreement to repair their air conditioner. Director Wang had to spend 300 yuan to have these residents' air conditioner repaired. And there were many similar situations for which Director Wang could only make accommodations for the sake of overall interests, without even a chance to reason with the residents. There was also no possibility of forming a successful growth coalition here in the Zhongshan Road area because the Zhongshan Road merchants were not organized; they could not offer any small opportunities to solicit partners (Stone, 1987). Moreover, the Zhongshan Road merchants were so selfish that they were not conscious of cooperating with the public sector and complementing public authority to carry out governing decisions (Stone, 1987). Hence, there was no possibility of forming a successful growth coalition in Zhongshan Road.

Urban renewal projects in the U.S. such as airports and highways had also caused huge disruptions in older urban communities. Five years after the enactment of Title 1 of the Housing Act of 1949, the 1954 amendment required local citizen participation in initiating urban redevelopment projects. These disruptive negative impacts (such as large scale demolition) on the environment provoked intense resident protests. The

movement of civil rights enabled African Americans, the primary victims of slum clearance, to fight against the bulldozer approach and propelled participation from local citizens. The campaign for citizen participation was based on the tenet that the citizens must be consulted when governmental redevelopment initiatives might affect their lives (Altshuler & Luberoff, 2003). Any environmental movement adheres to the tenet that the government's responsibility is to avoid damaging the environment due to its programs (Altshuler & Luberoff, 2003). During the era of transition (the 1960s–1970s), social injustice increased due to more disruptive effects of urban renewal projects; therefore, thereby causing more anti-urban renewal sentiment. Large-scale demolition and relocation eventually caused the 1965–1967 riots in U.S. central cities (Altshuler & Luberoff, 2003), and the result was that private developers and civil rights leaders reached a compromise that would set aside relocation assistance for relocated residents. Slum clearance was avoided to give way to downtown revival and neighbourhood renovation (Altshuler & Luberoff, 2003). Logan et al. (1999) further suggest that one variant of the urban regime was the growth-management coalition, in which the neighbourhood community dominates and formulates a balancing force against the city development coalition. The growth-management coalition can lobby the government to enact zoning to regulate urban renewal and redevelopment initiatives with environmental restrictions. For example, Vogel and Swanson (1989) explain that there was a case in Gainesville, Florida, in the early 1980s where city council was constituted by the progressive antigrowth majority. It enacted a series of regulations against the city development



coalition that was constituted by Chamber of Commerce and real estate elites.

Mollenkopf (1983) illustrates that urban renewal projects have provided a political platform for urban politicians, real estate elites, and neighbourhood activists to negotiate with each other. There were many grassroots activists standing out during this uprising of a neighbourhood preservation campaign. These oppositions to redevelopment initiatives built the foundation for neighbourhood rehabilitation programs in the coming decades in the U.S. (Mollenkopf, 1983).

In contrast, the neighbourhood movement that balanced the large-scale slum clearance in the U.S. did not appear in China. This is not to say that the Chinese residents would not have fought against private developers and local governments, but the Chinese neighbourhood movements have not ended up with something substantial. This is mainly because most of the organized protests have been limited in scale. As well, the lawsuits and protests against Chinese private developers and local governments have not drawn enough public attention. And the Chinese local governments do not care about civil movements, in part because they have absolute power to thwart any opposition because of public land ownership in China. Civil society in China traditionally has the least amount of power. In a word, the community movement organized spontaneously by the Chinese people can hardly gain momentum in today's Chinese society. So, the failure of the Zhongshan Road resistance was mainly due to the inertia and unconsciousness of its merchants; they did not realize they could gain greater interest by uniting, and only pursued their own short-term interests.

These quarrels, fetters, and trivia in the process of demolition are small compared with the following things I introduce. In the process of demolition and reconstruction in Zhongshan Road, there were also important interest disputes, which made some merchants and residents begin to carry out a series of personal attacks on Director Wang. This caused an adverse social impact, seriously affecting Director Wang's personal safety, life, and career development.

In order to obtain ownership of the ancillary buildings built by the government (the government built additional buildings to facilitate merchants' operations, but ownership belonged to the government, and merchants only had leasing rights), some merchants wrote to the District Commission for Discipline Inspection and Supervision to falsely accuse director Wang of "being late for the meeting, being arrogant and proud, not considering the interests of the masses, engaging in corruption activities, living in Shangri La Hotel at night, and eating in Shangri La as well" (Wang, 2010, p. 105). This is part of the letter that some merchants wrote to the District Commission for Discipline Inspection and Supervision. Some residents had special connections with the municipal government, and they made use of their special relationship with senior government officials, demanding better relocation compensation or better rehabilitation standards. However, Director Wang adhered to the principle of treating all the residents and shop owners equally, so their requests were not satisfied. Thus, they used their connections with the municipal government to write a letter of false accusations to attack Director Wang. Since he had not been involved in any type of corrupt activity, he was not afraid of the personal attacks. Eventually, these false and

groundless accusations all disappeared.

One night in November 2008, when Director Wang left the office building after work, he was kidnapped by some bruisers. He was first bundled into a van and then into a car. Later, they took Director Wang to a very secluded hotel in a suburban villa. He was taken to a private room where about 15 men had been waiting for him. The leader of these guys introduced himself as Bin Li, and he explained that the reason he had Director Wang brought here today was for his mother-in-law, who was living in the Zhongshan Road area. Bin Li said that his father-in-law had passed away a few years ago, and that his mother-in-law was completely bedridden, so he wanted Director Wang to give them special consideration and provide a more convenient location for the resettlement. Director Wang went over the relocation and monetary compensation policies with him and helped Bin Li interpret the pros and cons of the different options. That night he went home safely.

Hence, the major difficulties of the Zhongshan Road Commercial Street reconstruction project lie in the subjective factor: people—in addition to the reasons I stated earlier that showed residents fighting so hard because they believed the government and the Chinese Communist Party were obligated to defend their interests. They did all they could to demand concessions from the government. Chinese society is imperfect in terms of the construction of the legal system, as the Communist Party rules are more significant than the national constitution in many people's minds, which also leads to the way the people behaved to acquire improvement from the

government.

Nevertheless, I believe that the root cause of Chinese people's greed and money-worshipping can be traced back to Deng Xiaoping's neoliberal reform. Deng's neoliberal reform fundamentally changed Chinese people's lives. From an ideological perspective, the Keynesian Welfare National State (KWNS) was dismantled following the enactment of open policy in the late 1970s. The Schumpeterian Welfare Postnational Regime (SWPR) became the governing rationality of Chinese governments at all levels in the economic and political lives of Chinese people (Jessop, 2002). The market economy has replaced the centrally planned economy in China. And this can reflect the transformation from the Keynesian-Fordist industrial city to the service-based post-industrial city, which relates to my first research question. With the reduction of social welfare, the Chinese people lost many forms of social assistance that were common in the Mao era (even though the level of free education and medicare was very low, they were free!). Chinese society thus has transformed from an egalitarian society marked by "low production, low wages, high state welfare provision, and high state expenditure" to a market-oriented society marked by specialized production, "higher wages, lower state welfare provision, and lower state expenditure" (Wu & He, 2009, p. 285).

Han (2009) suggests that the growth of money worship is related to the imperfection of market economy rules after Deng's neoliberal reform. This is because the weaknesses and negative aspects of the market economy itself also are reflected in

the subjective orientation of people. Market actors always pursue the maximization of interests or profits in economic activities. At the same time, the market economy is still a kind of “consumption economy,” relying on consumption to guide production as a driving force to propel economic growth. The results are as follows: first, material interests and wealth play a prominent role in promoting economic and social development, which may stimulate people’s desires for material interests or money, and thus breed excessive worship of money, leading to “all looking to money”; second, “all looking to money” is generalized from the economic field to all fields of social life. Consequently, all social transactions are based on equal monetary exchange. All interpersonal and social relations are regarded as money interest relations.

Han (2009) also specifies that under the condition of the neoliberal market economy, it is easy to cause money worship, which is also related to the symbolization of wealth and economic activities. The market economy is inseparable from commodity exchange and commodity exchange is inseparable from currency. As an intermediary, the currency becomes the embodiment of wealth and the representative of universal value. With currency, it seems to be able to buy everything and occupy everything. It is easy for people to have the illusion that money is omnipotent, which makes people worship money and leads to unbridled pursuit and possession of money, thus resulting in wealth worship. Deng’s reform had been attacked by conservative forces for steering the country toward money-orientation and betraying communist ideals (Zhang, 1996).

On the one hand, since the 1980s, with the market economy replacing the planned economy, the pursuit of material wealth has become the mainstream of social values. Harvey (2005) keenly observed the rise of the newly introduced consumer culture. There was a famous saying in China back then that “A billion people, 900 million already had become businessmen, and the remaining 100 million are considering becoming businessmen.” This can indicate that Chinese society after the 1980s has become extremely money-oriented.

On the other hand, after the 1980s, in the absence of any social security, the Chinese people desperately need money to pay for (1) education, (2) medicare, and (3) retirement. The latter two expenses are especially vital for any ordinary Chinese citizen without a public job (the pension of a public official is relatively high) because the general social pension is meagre. As a result, most Chinese have to spend the first half of their lives desperately trying to earn enough money to ensure a well-off old age.

All in all, ordinary Chinese people have to earn money desperately to make a basic living without any social welfare. Since neoliberal reform, the Chinese government has no regard for the plight of the poor both in cities and in the countryside. The Chinese Communist Party today stands side by side with cold-blooded capitalists against the workers (Harvey, 2005). In addition to some traditional factors, there are more realistic social objective reasons contributing to Chinese people’s money-worshipping culture today, which include the sense of

insecurity from knowing that material life cannot be guaranteed. And I believe this is why the residents of Zhongshan Road were fighting so hard to strive for as many benefits as possible from the demolition compensation.

However, in addition to the human factor, it was also very difficult to rehabilitate the old and dilapidated buildings. The architecture of Zhongshan Road Commercial Street had been in disrepair for a long time; almost all the buildings were dangerous. Since most of the buildings in the area had been built in the 1920s, from the perspective of historic preservation, the reconstruction of Zhongshan Road still faces difficulties in the following aspects: the layout of architectures, building design, the laying of network pipes, fire control, and the treatment of construction wastes.

According to Director Wang, it was difficult to completely restore the layout of the architecture because nobody knew exactly what the Zhongshan Road architectural complex looked like originally. At the same time, the architecture twenty years ago was extremely dilapidated and occupied a large space. The buildings needed to be demolished; however, nobody dared to do so because they were afraid to take the responsibility of demolishing historic buildings. Moreover, the construction team did not know how to restore the architectural style of the buildings, which increased the difficulties of designing and construction. At this critical moment, Director Wang resolutely decided to demolish the dilapidated buildings to make space for the new construction. Then the construction team rebuilt the historic architectures based on the memories of elderly residents, who had lived there for a lifetime, to restore the

buildings' historical style and features.

The rehabilitation scheme's design was also difficult because the degree of dilapidation of each building was different, making it hard to enact a unified design standard. In order to tackle this problem, Director Wang raised the strategy of "Design while demolishing and reconstructing, specific problems should be analyzed specifically" (Wang, 2010).

Furthermore, the network of pipelines was rusty and aged, so new pipelines needed to be laid in the ground. The challenge that the construction team faced, however, was that the Zhongshan Road area's streets were narrow, and there was not enough space to allow so many pipelines to be laid underground at the same time. In order to cope with the problem, the construction team dug the trench deeper so that all the pipelines could be buried underground.

What is more, there were basically no fire-control facilities in the Zhongshan Road buildings before the rehabilitation scheme, so fire prevention was very arduous. The construction team was able to add all the necessary fire-fighting facilities.

Due to the Zhongshan Road area's construction activities, there was a large amount of construction wastes piled on both sides of the Zhongshan Road. Consequently, the construction team had to mobilize a lot of manpower every day to remove these construction wastes.

Director Wang summarized that besides the difficulties of leveraging private



investment and relocating the residents, the determining factor of whether the reconstruction and rehabilitation scheme would be successful lay in people. State-owned investment enterprises mainly conducted the investments of revitalization projects. And the government often faced the problems of insufficient funds. Moreover, due to the merchants' lack of confidence in Zhongshan Road's rehabilitation, the whole area was facing many difficulties in attracting investment. According to entrepreneurial urban governance, one of their goals was to let private finance become a crucial financial tool to ameliorate the urban built environment (Heeg, 2011). However, this is especially difficult in the Zhongshan Road revitalization case because leveraging financial market power is hard to implement. The revitalization scheme of Zhongshan Road could thus be carried out by mobilizing people. If young people were willing to come to Zhongshan Road and take it as an excellent place to rest, then the reconstruction project would achieve the expected goals. The problems that still exist in Zhongshan Road Commercial Street today include limited space inside the stores and too-narrow streets. Furthermore, the long-established shops are disappearing, leaving behind more fast food and foreign snack stores. Such fast foods very much lack local characteristics, and international snacks are criticized for being inauthentic, resulting in fewer and fewer local people coming here. Thus, improving the services of Zhongshan Road's restaurants is the focus of the next step of planning.

#### 5.2.5. Voice from the Zhongshan Road Business Community

After learning the explanation from city officials (Director Xinan Wang) who

govern the community and lead the redevelopment initiative, I decided to hear how the business community in the Zhongshan Road area views the barriers and difficulties of reviving the Zhongshan Road Business Street. Therefore, my sixth interview was conducted with Xiaoyu Li, general manager of the first food business opened by the Chinese in the Zhongshan Road back in 1924, to see what he thinks about the reviving scheme initiated by city hall.

Xiaoyu Li is 37 years old this year, and the general manager of Qingdao *Haibin* Food Store, the famous, citywide, and time-honoured chain supermarket.

Xiaoyu mentioned that the government's redevelopment initiative has included the *Haibin* Food Store. But because the popularity of the Zhongshan Road area is still low, the revitalization plan has not had much effect. At present, the popularity of Zhongshan Road is declining year by year, and the shock of the COVID-19 pandemic has further deteriorated the area's popularity. Many shops along Zhongshan Road are unsustainable. The iconic food street is deserted, and most shops are closed.

According to Xiaoyu, the negative factor that hit the Zhongshan Road Commercial Street the most is the shrinking population (or people who go to Zhongshan Road to shop) of the surrounding neighbourhoods. This is the most significant element contributing to the low popularity of the Zhongshan Road area.

This description of Zhongshan Road's low popularity leads to my main argument here: that the Zhongshan Road redevelopment initiative's failure is due to a lack of ability to leverage private investment despite the government's efforts to attract

private funding. There is no significant capital from the private sector favouring Zhongshan Road Commercial Street because of the enormous difficulties of soliciting development funding.

Xiaoyu proceeded to unfold the brick-and-mortar difficulties of redeveloping Zhongshan Road Commercial Street in detail. As mentioned by Director Wang, the physical condition of Zhongshan Road's architecture does not allow large-scale demolition and reconstruction, mainly because Zhongshan Road Commercial Street's architectural layout is a planning result of 100 years ago. The structure and density of the buildings are unsuitable as modern office or residential buildings. Moreover, most architectures are second-storey low-rise buildings, so they could only accommodate a very small number of residents. The population density and plot ratio are thus both low. Furthermore, there is not much public transportation available in the area, and the parking spaces are very much limited. Consequently, the traffic and flow of visitors are also low. The deteriorating buildings are mostly historical buildings, and the revitalization scheme also has to consider the protection of the city's historical quarters. This reinforces the difficulties of large-scale renewal through demolition and reconstruction. From the physical condition perspective, then, the Zhongshan Road Commercial Street is hardly attractive to private capital.

Xiaoyu also talked about the shift in the city's core economic region. Since the beginning of the twentieth century, Qingdao's economic centre has shifted eastward to the Olympic Sailing Centre Business Circle, which aggregates quite many popularity

and business activities there. In contrast, Zhongshan Road is relatively unattractive due to the problems of deteriorating architectures and decreasing population. Accordingly, it is hard for Zhongshan Road to woo customers and aggregate popularity. The small business owners in Zhongshan Road Commercial Street could only profit during the peak tourist season lasting from May to October each year. Even so, the situation is getting worse due to continuous urban sprawl and the development of the emerging eastern part of the city. The exploitation of tourism resources along Zhongshan Road Commercial Street tends to be stagnant, and the tourist population is constantly diverted, which leads to further decline in the popularity on Zhongshan Road.

Xiaoyu raised several flanking suggestions that could improve city hall's redevelopment scheme. He believes that what is needed to revitalize the Zhongshan Road Commercial Street is to deeply excavate tourism resources and create characteristic tourism, ultimately establishing new industries and attracting employment-population with new industries.

The municipal government should then help the small business owners upgrade their businesses by rehabilitating the deteriorating store buildings and introducing some high-end international brands to open stores along Zhongshan Road. Eventually, even the entire Zhongshan Road could be diverted to the pedestrian street to attract both tourists and Qingdaoers.

Generally speaking, Xiaoyu corroborates Director Wang's viewpoints: the

problems of Zhongshan Road itself, the neoliberal inter-community competition within the same city, and the failure to leverage private investment result in the fall of Zhongshan Road's development regime.

As far as Zhongshan Road merchants themselves are concerned, they have not formed a strong joint force. There is only one time-honoured brand association formed by the most important merchants in the Zhongshan Road area. Nevertheless, the association is also relatively loose, with little financial resources and no major resolutions regarding the revitalization initiatives in Zhongshan Road Commercial Street. According to Xiaoyu, most of the association's members are over 65 years old and lack the necessary modern business vision and knowledge. The Zhongshan Road merchants' weak and loose organization also contributes to the fall of the Zhongshan Road development regime.

There is an extra note regarding the change of ownership in the Zhongshan Road area. Many time-honoured brands were capitalist entrepreneurs before 1949. After the Chinese Communist Party came to power in 1949, many previous Zhongshan Road merchants fled to Taiwan. So in the 30 years from 1949 to the 1980s, most of the time-honoured Zhongshan Road shops had no business owners because almost all were publicly owned. The current managers or owners of the businesses here in Zhongshan Road were mostly elected by the employees after the 1980s neoliberal reform across the nation. Thus, most merchants in the Zhongshan Road Commercial Street are beneficiaries of the neoliberal reform.

On balance, the eastward move of city hall and the relocation of Beihai Shipyard both exemplify how state policies promote capital investment within a strategic city-region and district (Brenner & Theodore, 2002). The change of the city's economic dynamics in light of the eastward relocation of the economic centre has directly caused the decline of Zhongshan Road Commercial Street. And this corroborates the uneven spatial development effect of neoliberal creative destruction, which is manifested by the "selective withdrawal of state support for declining regions" (Brenner & Theodore, 2002, p. 19). Furthermore, the eastward gentrification (the relocation of city hall) is the neoliberalized space of exclusion that abandons the attempts to ameliorate capitalism's inequality. I believe the decline of Zhongshan Road Commercial Street could be considered the victim of creative destruction by extant institutional arrangements (Zhongshan Road Commercial Street) to make way for market-oriented economic growth, commodification, and the rule of capital (manifested by the development of the Olympic Sailing Centre project). In retrospect, the decaying story of the Zhongshan Road Commercial Street exemplifies that creative destruction is a process that generates uneven development and social polarization (Brenner & Theodore, 2002). The changing dynamics between the older Zhongshan Road Commercial Street and the emerging Olympic Sailing Centre Business Circle uncovers how a capitalist restructuring process causes conflicts, crises, and "governance failures." The conditions for how this happened are when emerging neoliberal spatial creation (the Olympic Sailing Centre project) interacts with the extant regulatory landscape (the Zhongshan Road Commercial Street), which results

in a new and unstable political-economic landscape (Brenner & Theodore, 2002).

Nevertheless, the main reason contributing to the blight of Zhongshan Road

Commercial Street is people. For the reasons I have explained, Zhongshan Road

Commercial Street, the city's original economic centre, is doomed to decay.

Based on these descriptions and analyses, we can see that the linchpin of Olympic Sailing Centre's successful financing process is adopting a market way to mobilize land resources with private partners to finance the waterfront redevelopment project and recoup the capital outlay. However, in stark contrast and to a large extent, the failure to leverage private investment is a big reason for the ill-fated failure of the revitalization of Zhongshan Road. Though the failure of leveraging private investment is significant, the deeply rooted reason leading to the revival scheme's failure is the people factor: the local residents' inertia.

### **5.3 The Evolution of the Growth Coalition of Olympic Sailing Centre: The Assembly of the Investment Regime**

The argument in this section is based on: *How do the development coalitions function to facilitate waterfront redevelopment initiatives in Chinese port cities like Qingdao? And how are the development coalitions assembled?*

And the arguments in this section answer the research questions (which have already been analyzed in the literature review sub-sections 2.1 and 2.3) based on empirical cases about how development coalitions function to facilitate the waterfront redevelopment initiatives in Qingdao. Additionally, this section illustrates how the

development coalitions are formed in the case of the Olympic Sailing Centre project. Another core research question is analyzed in this final section, which is relevant to the projects' financing: market ways of mobilizing land resources to finance waterfront redevelopment projects (the investment regime) in the case of Qingdao based on the empirical materials.

After reviewing the lessons of Zhongshan Road Commercial Street's decline, I analyze the reasons why, nowadays, the Olympic Sailing Center business district is Qingdao's economic centre, and the driving factors behind it. This leads to the theme of my final interview: The growth coalition of the Olympic Sailing Centre. For this subject, I interviewed Linan Tian and Ziyin Yao, respectively.

### 5.3.1 Land Mobilization Mechanism of How the Coalition Runs: Control by the Municipal Government and Institutional Innovation (The Role of the Municipal Government and the Institutional Innovation for a More Efficient Municipality)

The top priority of our analysis of the growth coalition of the Olympic Sailing Centre project is to understand how the Qingdao municipality plays a huge role in the redevelopment regime. The marketed mechanism of mobilizing land resources is dominated by city hall. I would first like to emphasize that my interview with Zhipeng also involves the Chinese municipal government's role in redevelopment projects. By analyzing the process of how a redevelopment regime is formed, we could infer how the financing process is conducted to generate financial underpinning for the Olympic Sailing Centre project. Consequently, we could answer the second research question



about the investment regime of waterfront redevelopment projects in Chinese port cities (in this case Qingdao, based on empirical cases).

Zhipeng admitted that the government-authorized state-owned development companies played a leading role in financing the Olympic Sailing Centre project. Although seemingly market-led planning was pursued by relevant agencies, the municipal government intervention was still active. In a word, waterfront redevelopments in Chinese port cities involve strong state intervention under the cover of neoliberalism. Also, some semi-official agencies (state-owned development corporations such as Dong'ao Corporation) were responsible for specific project financing.

Zhipeng compared urban governance between China and the U.S. He said that in contrast to the American minimalist government, local Chinese government is significant—its tangible hand still plays an essential role in regulating resources and controlling the market, and it continues the Communist Party's ideology that to “exercise power is for the good of people.” In the same vein, although Keynesianism is a shadow of the government's efforts to boost investment to cope with economic weakness, it is not the same. He concluded by emphasizing once again that the western neoliberal governing coalition could not emerge in China or become the dominant economic and social force.

In my other interview, Linan explicitly explained the formation of the growth coalition amid the process of developing the Olympic Sailing Centre project. She agreed with Zhipeng's opinion on the municipal government's role amid the local

redevelopment projects by arguing that the growth coalition was formed by the municipal government, the state-owned development corporation, and private enterprises. The municipal government functions as the controller of the primary land market, and it prepares and aggregates the lands. The structuring of Chinese waterfront redevelopment projects' regime, therefore, involves more control by local government through local state development enterprises than the direct involvement of private sectors in the case of Qingdao Olympic Sailing Centre, unlike their counterparts in the U.S. (Stone, 1989). Due to the municipal government's control of land resources, the public authorities possess predominant power to propel the redevelopment initiatives, including waterfront redevelopment projects. This is very similar to situations in Chicago and Vancouver (Eidelman, 2018). The waterfront's public ownership, featuring strong leadership and agile coalition building in the two cities as mentioned earlier, paves the way for the redevelopment initiatives to proceed as planned. And this is also why the progress of Toronto's waterfront redevelopment initiative has been delayed and slow: the public land ownership of Toronto's waterfront is fragmented, which slowed down project implementation (Eidelman, 2018). In the Chinese context, free lands were given to state-owned enterprises as subsidies. Then the state-owned enterprise resold the lands to private developers at a good price. The private developers (the secondary land market) were in charge of the concrete development of the lands. Their specific development includes building hotels, apartments, etc. The role of state-owned enterprises is to establish the special purpose vehicle with the goal of boosterism for promoting businesses around the

Olympic Sailing Centre Business Circle. The special purpose vehicle was mainly formed by the Dong'ao Corporation, a semi-autonomous state-owned enterprise. And this reflects that the new-established para-apparatus has the power of government and the flexibility/initiative of a private enterprise. The special purpose vehicle is also responsible for facilitating the land bid invitation, auction, and listing system and soliciting additional private capital investment. The establishment of the special purpose vehicle is thus a reflection of institutional innovation. Besides the functions mentioned earlier, the special purpose vehicle was also aimed at implementing the government requirements to build public accessory facilities such as public transportation. Thus, the three stakeholders facilitated the land bid invitation, auction, and listing system together and promoted the preservation and appreciation of land value.

Additionally, the municipal government has initiated institutional reform and innovation to improve its role in the redevelopment process of the Olympic Sailing Centre Business Circle. The purpose of this is to empower the force of the market by optimizing the functions of government. The Administrative Examination and Approval Bureau was established to reform the procedures for the approval of projects. The Market Resource Allocation Office was established to facilitate the role of private enterprises and social organizations, communicating up and down and promoting the devolvement of the central government's power. The purpose of this office's establishment is also to clarify the boundaries of government authority and limit the role of government. These institutional innovations aim to give greater

importance to the role of the market and support/complement the market by improving the governmental system.

Therefore, the purpose of institutional innovation is also to transfer government functions and foster social organizations. These two newly established institutions have listened extensively to public opinions and held notarial meetings, reflecting one of the rationales of top-design entrepreneurial urban governance: emphasizing the importance of third-party opinions for significant decisions. This enables social organizations to participate in government decision-making, encourage social non-governmental organizations to participate in decision-making, and make suggestions. This is in line with Stone's (1989) viewpoint about progressive politics. It would be inspiring and exciting to anticipate what kind of western-style progressive politics could emerge in Chinese coastal cities. Linan revealed the truth of these types of entrepreneurial urban governance: It is the way of market-oriented social regulation, and its purpose is to integrate with the capitalist market economy. However, this is contrary to Zhipeng's opinion.

Other recent institutional innovation policies and results applications include: the governmental departments' change from administration-oriented to service-oriented. They are changing from passive acceptance to active service, from closed management to business synergy, strengthening information sharing, and achieving cross-departmental business synergy. They are strengthening the construction of institutional norms and guaranteeing the innovation of the service model. They are improving performance evaluation and strengthening reform and innovation.

Supported by the two documents given by Linan, *Policy Interpretation and Practice of the Reform of Regulation and Service in Shenzhen and Construction and Practice of Business Environment in Shenzhen*, these institutional innovations reflect the ongoing trend of China's reform at the municipal level. However, the real implementation needs to be tested in practice.

### 5.3.2 The Developmental History of the State-owned Enterprises in the Development Regime against the Neoliberal Backdrop (The Role of the State-owned Enterprise and the Historical Development of the Market System)

Ziyin, as a project manager of Qingdao City Construction and Investment Group, provided details about growth-coalition building in the Olympic Sailing Centre project. Ziyin first introduced the historical development of the City Construction and Investment Group (the state-owned development enterprise) and its pivotal role amid the urban redevelopment projects.

The Dong'ao Group is the predecessor of the current Qingdao City Construction and Investment Group, and the predecessor of the Dong'ao Group is Qingdao Eastern Development Headquarter. The establishment of the Qingdao Eastern Development Headquarter was an institutional innovation. The company was established to promote the eastern development (eastward gentrification) strategy of Qingdao. When the company was founded, the city public authority wanted to establish a special purpose vehicle to separate the business function from the government's administrative function to finish the work in one department and provide a one-stop investment attraction and promotion service.

The driving force of the Qingdao Eastern Development Headquarter was fiscal decentralization—the local government’s reliance on locally dependent tax revenues when the central government retreated from local affairs in the 1980s. Lin et al. (2015) take Guangzhou as an example. Since the 1980s, the Guangzhou municipal government has been allowed and encouraged to innovate new methods of exploring new ways of generating new tax bases. The downward urban construction responsibilities from central government have enabled the Guangzhou municipal government to keep their surplus profits after a lump-sum revenue remitted to the central government. This central-state reshuffling mechanism has greatly encouraged the Chinese municipal governments to be entrepreneurial and to tap into new financial sources to generate revenues (Lin et al., 2015). As the controllers of land resources, Chinese local governments participate in the trade of land resources as a method of revenue-generating and consolidating power. Hence, to Chinese municipal governments, the neoliberal downward power reshuffling also means “land-centred politics” (Lin et al., 2015, p. 1966). Nevertheless, the central government’s retreat also leaves Chinese municipal governments with heavy burdens of urban service, medical care, education facilities, and retirement benefits (Lin et al., 2015). Fiscal decentralization refers to the local growth coalition absorbing the devolved fiscal power from central government to raise local revenues from their own resources and become the main force for promoting local development (Peck & Tickell, 2002). He and Wu (2009) explain that due to the stagflation and dilapidated urban infrastructure caused by the Cultural Revolution (1966–1976), Deng’s neoliberal reform introduced

various forms of market-oriented restructuring and institutional innovation to facilitate the local economic development of neoliberal cities. This process of change is interpreted as the rescaling of state or “glocalization” (He & Wu, 2009, p. 285). Glocalization (Hackworth, 2007) refers to the Chinese domestic market’s process of gradually connecting to the global market. At the same time, decision-making powers such as fiscal power are transferred down to the local government (Hackworth, 2007). Amid this transition from a planned economy to a market-oriented economy, the central government has faced two major tasks: (1) stimulating productivity at the provincial/local level, and (2) transferring development pressure faced by the central government to the local government (He & Wu, 2009). The central government eventually adopted the tax-sharing system to replace the redistributive system—a revenue-sharing system to tap into local fiscal resources, and this facilitates the devolution of the central government’s fiscal power (He & Wu, 2009). Thus, competitive local economies and local growth coalitions (formed by empowered local government and private interests) were created to accelerate regional capital accumulation as a result of this devolution of central power (Brenner, 1998; MacLeod & Goodwin, 1999; Perreault & Martin, 2005). Under the tax-sharing system (fiscal decentralization), local governments are able to control most of their revenue (He & Wu, 2009). Furthermore, the municipalities gain substantial political power amid the neoliberal state rescaling. According to He and Wu (2009), the City Planning Act in 1989 gives municipalities the power to assemble land resources and issue land-use permits to achieve the control of land development. Consequently, the municipalities

nowadays are capable of enacting regional land development policies to “exercise power in the most effective way” (He & Wu, 2009, p. 302). Miraftab (2005) makes clear that this fiscal decentralization reflects neoliberal entrepreneurial governance.

Under the ideological slogan of neoliberal reformation, the purpose of the Qingdao municipal government’s entrepreneurial development of the eastern part of the city was to expand the urban area and obtain huge revenues from the land development as well as facilitate urban economic restructuring. Accordingly, the Qingdao municipal governments started to formulate a growth coalition with the semi-autonomous state-owned enterprises and private developers to extract value from land development projects (Weber, 2002). The formation of the growth coalition reflects the neoliberal localization of power (Hackworth, 2007). Neoliberal urban governance therefore requires the cooperation of an organized relationship between the local state and capital to undertake the central state’s devolved power (Hackworth, 2007). Hackworth (2007) also states that the capital and local state work together to undertake the devolved power from central government, and the local government uses the land-use zoning power to protect the interests of real estate elites. The local development regime is made up of real estate elites, and city hall is the organizational form of PPP. Together, they undertake the neoliberal centralized power devolution (Hackworth, 2007). The municipal government began to enjoy greater autonomy in the aspects of land use and fiscal responsibility. Local governments across China got more freedom to allocate resources and stimulate local economic development (He & Wu, 2009). And the local governments are behaving more businesslike (He & Wu,



2009). In addition, David Harvey (1989) argues that the entrepreneurial cities in China are facilitated by fiscal devolution, which is to say that fiscal decentralization gives local governments more decision-making power conducive to facilitating the entrepreneurial government (He & Wu, 2009). The municipalities across China function as sellers to promote their cities (He & Wu, 2009), furthering the central government's divestment in local urban-development projects.

### 5.3.3. History of Market System and Development Regime in Qingdao

By 1998, Qingdao's eastern development task had been completed. According to the *Qingdao City Situation* (2000), in the year 2000, the total value of city construction in Qingdao was 7.5 billion yuan (1.5 billion CDN). Among them, 2.4 billion yuan (0.48 billion CDN) was public investment. City hall's appropriation significantly leverages the private investment to conduct construction projects across the city. The major public investment projects include widening the city's major trunk road, Hong Kong Road, and the construction of several major urban overpasses. For example, the public squares (May 4<sup>th</sup> Square) near Olympic Sailing Centre were also constructed at this time. Meanwhile, many municipal supporting projects also started in 2000 as part of the city's eastern development initiative (QDSQ, 2000).

To be specific, the real estate sector's total value was 6.5 billion yuan (1.3 billion CDN), and the annual growth rate in 2000 was 28.1 percent, compared with the previous year (QDSQ, 2000). Additionally, the actual sales area of commercial housing in the city was 2.588 million square metres, the annual growth rate was 30.2

percent, and the area of commercial housing purchased by individuals reached 2.214 million square metres, an increase of 87 percent (QDSQ, 2000). Thus, the municipal government's fiscal situation was ample, because the above financial return of the construction (real estate) sector dramatically supported the local land finance. Accordingly, city hall has promoted the Chinese version of property-led economic development, and the municipal government is more capable of making deals and initiating land development projects.

The Olympic Sailing Centre has been used by the local growth coalition as a flagship project to compete with other cities. Sassen (2009) elaborates that the rebuilding of central cities (or any areas in the cities) is used as whitewash strategies to attract globalized activities and flows to make cities invincible in interurban competition. As Theodore and Brenner (2002) reveal, cities have become the place where neoliberal institutional innovation and experiments occur as platforms for economic development and market competition. The Chinese local growth coalition makes huge profits from property-led economic redevelopment through local boosterism and place promotion (He & Wu, 2009). The governing coalitions facilitate capital accumulation through conducting urban redevelopment projects (He & Wu, 2009). He and Wu (2009) state further that interurban competition now appears in China: the process of urban redevelopment is closely related to the cities' place in the urban hierarchy. Sassen (1991) explains that one result of this neoliberal city governance is the growing global competition among centres for hypermobile financial activities. And Keil (2009) illustrates that a competitive city amid the

interurban competition is characterized by entrepreneurial urban governance.

According to Short (1999), the decentralized governmental system gives local governments much more opportunity to facilitate place promotion and local boosterism. In the same vein, fiscal decentralization saves Chinese municipalities from financial constraints on place promotion.

Additionally, there have been a series of institutional changes since the 1980s reform. The newly emerged Chinese real estate market and the housing reform have brought the upsurge of people's investment in inner-city properties. The land-leasing system reform and privatization of housing led to the birth of the real estate market in Chinese cities. Many state-owned enterprises and private developers have participated in this investment boom. The land-leasing reform allows land-use rights to be traded in the market, but the state still retains ownership of the land, thus, generating great wealth through the trading of lands becomes possible. Subsequently, property-led economic development has dramatically transformed the Chinese urban landscape.

In 2001, when Beijing won the bid for the 2008 Olympic Games, the Qingdao Eastern Development Headquarter consequently became the Dong'ao (it means "East Olympic" in Chinese) Group. And this reflects institutional innovation because the business function has been completely separated from the municipal government's administrative function. The Dong'ao Group was under complete market operation, which is conducive to the Qingdao municipal government's pursuit of locally dependent tax revenues. At the same time, with the nationwide separation of business

and administrative functions and the lower manufacturing profits after the reform, a large number of state-owned enterprises, which used to be governmental departments, have entered the real estate market to seek higher profits in many Chinese cities.

During the Olympic Sailing Centre development process, the Qingdao municipal government assigned all the free lands to the Dong'ao Group as subsidies and favourable policy support. The Dong'ao Group thus monopolized the primary land market of the original sites of the Olympic Sailing Centre. Consequently, the Dong'ao Group could raise the land price of the Olympic Sailing Centre's plots in the secondary land market through an auction, which was also to ensure a transparent and open transaction. Then the Dong'ao Group resold the plots of the Olympic Sailing Centre to the Taishan Real Estate Group and the Hisense Group, the private developers specializing in the development of the plots. In this way, the Dong'ao Group contributed a lot of revenues of land development and social welfare to the Qingdao municipal government. Therefore, the state-owned enterprise, not private developers, is the primary propeller of the urban redevelopment project in the case of the Olympic Sailing Centre project.

#### 5.3.4. Final Evaluation: The Characteristics and Dynamics of the Growth Coalition and to Answer the Research Question of How the Growth Coalition is Formed

This section's main goal is to conduct the final analysis of the features of the growth coalition in the case of the Olympic Sailing Centre and to answer the research question of how the growth coalition is formed.

To compare with the growth machine system in the U.S., it is the private sector that has ample resources and offers selective incentives or small opportunities to formulate a cohesive growth coalition. Thus, the private sector in the U.S. is the most important stakeholder in urban renewal schemes (Stone, 1989). In contrast, in China, it is the municipal government that provides the free lands as subsidies to the state-owned development enterprises, leading to their monopolies of development lands. In summary, to compare the two types of mechanisms of growth machines, the growth coalition in the U.S. mainly pursues the commercial interests of private enterprises (Logan & Molotch, 1987), while the Chinese growth coalition is dominated by the municipal government who seeks the local economic development to manifest the political performance of government officials in the public authority. Moreover, the Chinese private developers, the Taishan Real Estate Group and the Hisense Group, did not have a voice in the redevelopments' decision-making process because of their lack of land resources. In the Chinese context, the state has control of urban redevelopment because it possesses land resources (He & Wu, 2009). The state creates the condition for urban redevelopment projects but functions as a pacesetter to regulate the projects' disruptive effects (He & Wu, 2009). Nevertheless, the state's goal is to maximize the accumulation of the development regime's wealth (He & Wu, 2009).

In the west, the ownership of productive assets is in the private sector. And municipal governments are elected by the public constituents. The growth coalition, made up of city hall and private sector, functions as an informal arrangement that

complements the public authority and implements city development initiatives (Logan & Molotch, 1987). However, the situation under the Chinese context is different.

There is no distinct division between public and private in the Chinese transitional economy. And the state-owned development enterprises have deep ties with the government because they used to be the public authorities' business branches. Thus, the Chinese state-owned enterprises are the interfaces between the governmental authorities and the private sectors. Moreover, the Chinese state-owned enterprises, private developers, and public authorities work together as a growth coalition to promote urban redevelopments. As the municipal governments are in charge of the land resources in the primary land market, they play a leading role in urban land redevelopment. And the Chinese municipal governments function as the public arm for private developers. In the case of the Olympic Sailing Centre redevelopment project, the Taishan Real Estate Group and the Hisense Group maximized their profit by developing Plots 28, 29, 30, and 31 into luxury residential and commercial land use, while the Qingdao municipal government adopted a laissez-faire strategy by assigning the free lands to the Dong'ao Group and letting the state-owned enterprise resell the lands to the two private developers for further development.

Ziyin illustrated that the local land-based development is an essential criterion of political performance for municipal government officials. As a result, the Chinese municipal government officials have incentives to mobilize all available resources to promote urban redevelopment projects such as the Qingdao Olympic Sailing Centre redevelopment scheme. The Qingdao urban growth machine has also become more

dynamic due to its close connections with the Qingdao municipal government. The efficient implementation of the Olympic Sailing Centre project is closely related to the municipal government's support. With its support, the growth coalitions in Chinese cities are capable of vigorously promoting urban development and construction. Nevertheless, He and Wu's (2009) research is contrary to the analysis above. He and Wu (2009) illustrate that in Shanghai, where the market system is most developed in China, private enterprises with ample capital resources and impelling capacity to accumulate capability act as the primary participators (principal investors and developers) in urban redevelopment initiatives. I think it is true that the situation in Shanghai is more like in the U.S. The private real estate developers who possess slack resources can mobilize resources and function as the primary players amid the redevelopment initiatives (Stone, 1989). However, in second-tier Chinese cities such as Qingdao, the local government, as the land provider, and the state-owned development enterprise, as the land resource monopolist of the primary land market, still play the most important roles.

In a nutshell, the Chinese growth machine system (such as the case of Qingdao) has been stimulated by the fiscal decentralization/devolution that gives municipalities new autonomy. What is more, the birth of the market economy, the establishment of the real estate market after the 1980s reform, and the huge land-based profits generated by property investment all lead to the birth of Chinese growth coalitions. Together, the growth coalitions bring a new urban landscape and economic growth. In turn, local economic development is the motivation for the local government,

state-owned enterprises, and the private sector to form a growth coalition. Chinese urban renewal is relatively successful, compared with urban renewal in the U.S., because the central Chinese cities are still the economic growth engines of the national economy that can attract the agricultural population. Furthermore, there are always expanding economic activities in Chinese cities, which lead to high demand for housing construction, infrastructure, and labour.



## 6. Conclusion and Reflection

The relocation of Beihai Shipyard reflects the transformation from a Keynesian industrial landscape to the neoliberal post-industrial waterfront.

Moreover, the newly developed off-budget financial instruments and entrepreneurial urban governance pursued by the Qingdao municipal government have manifested that the Chinese municipal governments are increasingly businesslike. This fiscal transformation and ideological shift have been reflected by the change of industrial structure, unfolding how the city transforms itself spatially.

Since the interviewees are unpaid, it is possible that the volunteering interviewees provided inaccurate data because they were considering the purpose of their organization and had preconceptions, and this could contribute different definition of concepts to the interview results. If the interviewees are unpaid, this may increase the possibility that they are not serious about the answers they provide; thus they would choose a “safe” line of discourse that conforms to the official, rather than the objective view I seek. For example, Zhipeng Li denied that the Chinese planned economy before the 1980s represented one type of Keynesian welfare state ideology. He also denied that the current entrepreneurial urban governance is the manifestation of neoliberalism. In contrast, when I interviewed Linan Tian, she directly revealed that the nature of the top-design of entrepreneurial urban governance is learning from western experiences.

I think the real insight into why Zhipeng said that was due to his position. As the deputy director of the City Planning Bureau, he had to consider the Chinese

authorities' ideological statements. From Zhipeng's response, I can learn that the Chinese government is pursuing western neoliberal city governance strategies in the name of socialist urban governance with Chinese characteristics. In terms of external propaganda, they still call it "serving the people, giving priority to the people," which is why Zhipeng disliked the term *entrepreneurial*. And this is also why, according to He and Wu (2009), the trend of neoliberalism is a hidden process in China rather than straightforward. However, in reality, the Olympic Sailing Centre project resulted from the development and construction of significant government and capital participation, and it only reflects the governing coalition's dominance over people. The Olympic Sailing Centre project represents the municipal government's interests, the capital of large state-owned enterprises, and the private developers. The funds and loans underpinning the Olympic Sailing Centre project were all backed by government support.

In contrast, when Director Linan Tian directly revealed the essence of the top-design (designed by high-level central government and implemented by the municipal government) of entrepreneurial urban governance, she did so because I had established mutual trust with her through the interview. And I think this is why Zhipeng and her have different opinions. In order to help me understand Chinese entrepreneurial urban governance, Linan explicitly explained that it was learning from western experiences. She elucidated the experience of the cadres from the Bureaus of Urban Planning, who learned these top-designed social organization strategies mainly through regular meetings. At the same time, the government department organized

trips to other regions (Shenzhen, for example) to learn from these cities' advanced experiences on urban governance. Director Linan also introduced me to how the municipal government, private sector, and state-owned enterprise function together as a growth coalition to carry out governing decisions. She unveiled that the growth coalition was cohesive and capable of initiating large-scale redevelopment projects.

I can learn from the interview with Director Linan Tian that the main thing keeping the Olympic Sailing Centre growth coalition together is that they share the same interests of redeveloping the Olympic Sailing Centre Business Circle. And the things that drive and motivate the coalition to form resultant force are maintaining and increasing the value of state-owned assets. This is what I have been told regarding the goals of the growth coalition's formation. However, I think this is because the high profits of land development drive the three parties to cooperate. The three stakeholders' common interests are to extract value from the property-led economic development and sustain the land finance—the most important common interest between the stakeholders of the growth coalitions. Land finance refers to the concept of local government acquiring financial revenue through land development. In contrast to the U.S. urban regime mechanism, Chinese municipal governments offer “small opportunities (free lands)” to enhance the growth coalition's cohesion. Therefore, the redevelopment coalition of the Qingdao Olympic Sailing Centre is effective because of close ties between the state-owned enterprises and the municipal government to carry out potent management decisions. Because of the development coalition's effectiveness, the Qingdao Olympic Sailing Centre's development

coalition could afford to launch an overall reconstruction to rebuild the original site of Beihai Shipyard and construct the new Olympic Sailing Centre, including the convention centre, hotels, a museum, marina, and restaurants.

It is very similar to the dynamics of U.S. land development in the 1950s. Title 1 of the Housing Act of 1949 authorized the municipal government to use eminent domain to seize the lands. After the lands were aggregated and prepared, the municipal government resold the land to private developers at a good price. The Qingdao urban regime is not so much the same as the pre-1970s Keynesian urban regime in the U.S. as an interface between neostatism and neocorporatism. Back to the situation in China, the private developers are in charge of reconstructing the demolished areas. So the Chinese municipal governments function as the public arm of private capitalists (Levine, 1989) to help real estate developers enhance the value of their property investments (secure and promote real estate developers' interests) amid the waterfront initiatives.

Implicit in the information that Zhipeng Li provided is that the growth coalition's strength is enormous. As the growth coalition develops cities, it is also transforming the built environment. The municipal government and state-owned enterprises worked together to relocate city hall to the Fushan Bay area (as an anchor institution). They redeveloped the whole area to be the hub of the city's skyscrapers, which greatly facilitates the eastern part of the city's spatial transformation. However, these disruptive effects will negatively impact the surrounding neighbourhoods and trigger opposition from residents. Nevertheless, the growth coalitions are allied with national

and local capital, and it is effortless for them to thwart local opposition. The Qingdao Olympic Sailing Centre, the Fushan Bay waterfront, has become the arena of transformation to a post-industrial city. Neoliberal city governance policies have been adopted to facilitate urban transformation. Accordingly, the city has been considered the space of neoliberalism because large-scale long-lasting urban redevelopment projects benefit the urban growth coalitions centred by municipal governments, state-owned development enterprises, and private developers. Many waterfronts in Chinese port cities have therefore become the arenas of neoliberal policies and institutional restructuring.

In addition, the interview with Yanjie Li reveals that the relocation of Beihai Shipyard reflects the transformation from a Keynesian industrial landscape to a post-industrial waterfront. Amid this spatial transformation, white-collar service-oriented jobs have replaced the blue-collar industrial jobs, and I believe this means that post-industrial ideology has replaced Fordism ideology, and the original Keynesian-Fordist development regime has been undermined by the new development coalition. We know that New York, under the Bloomberg administration, adopted a balanced waterfront redevelopment strategy that would not ignore the maritime industry that preserves blue-collar jobs. But unlike their counterpart in New York, the Qingdao redevelopment authorities did not adopt a balanced redevelopment strategy: the service-oriented white-collar jobs completely replaced the industrial manufacturing jobs on the waterfront. Moreover, polluted, hard, and industrial harbour activities have changed to post-industrial activities. From my conversation

with Yanjie, I can see that economic restructuring has happened on the waterfront, and the change of industrial structure has reflected this transformation. The relocation of Beihai Shipyard and the eastward relocation of city hall, combined with the real estate development of the Fushan Bay area, reveal how the city transforms itself spatially.

In retrospect, the waterfront redevelopment project in Qingdao has been used as the flagship project for interurban competition amid this campaign of neoliberal city redevelopment. The Chinese waterfront redevelopment projects are parts of the territorial ideologies that emphasize unities of interests, ignoring the class factors. I developed these arguments from the existing knowledge base on post-industrial urban development theories, neoliberal theories, urban regime theory/growth machine theory, and the literature on off-budget financial instruments that facilitate urban redevelopment projects. I also extensively examined the case study's geographical region—the Shinan District in Qingdao city—to lay the social background for where my story of waterfront redevelopment happened.

Building upon these theoretical underpinnings, I conducted empirical case studies on Zhongshan Road Commercial Street and Olympic Sailing Centre projects and six interviews to collect my materials and illustrate my own arguments. This is how I developed my viewpoints based on literature reviews and theoretical discussions.

I personally agree that the current Chinese model of social regulation is intrinsically neoliberal entrepreneurial urban governance, and that the urban redevelopment coalitions centred by municipal governments and state-owned

development enterprises are powerful in terms of initiating and propelling waterfront redevelopment projects in Chinese port cities. However, I disagree with the viewpoint that the current urban redevelopment model in Chinese cities is to “serve the people” and ensure “the appreciation of state assets.” In summary, I disagree with Paul Peterson’s idea that growth is for the well-being of all citizens. Putting it in the Chinese context, I disagree with the communist bureaucrat’s embellishment of socialism urban management with Chinese characteristics.

My study is unique because it expands the post-industrial waterfront redevelopment stories, the urban regime theory/growth machine theory, the neoliberal theories, and off-budget financial instruments empirical cases from the North American context. And I apply these western social theories into the Chinese port context, where the market system is emerging relatively and social/economic/political backgrounds are very different. Moreover, the uniqueness of the redevelopment story (Qingdao Olympic Sailing Centre) can serve as a good reference benchmark for future similar studies associated with the redevelopment projects in Chinese port cities. I believe my analysis of the social dynamics of Chinese societies regarding relocation and the shifting of urban centres could be valuable to any future study associated with urban redevelopment stories from Chinese cities.

What is more, how the Chinese urban growth coalitions conduct city redevelopment projects in an entrepreneurial way through mobilizing land resources to avoid the constrain of conventional budget public financing has been missing in past literature. Therefore, the discussion about the financing of the waterfront

redevelopment projects in the second-tier Chinese port cities contributes to filling the literature gap of how the Chinese second-tier towns conduct great-mega projects through off-budget financial instruments.

Generally speaking, one of the major limitations of the study is that the scale of the empirical case is narrow. This study only considers Qingdao as the case-study city and tries to generate the universal rule for the waterfront redevelopment projects. Therefore, I believe that the next researchers could expand the number of study cities to generate a universal rule for waterfront redevelopment projects across Chinese ports. For example, future researchers could study more Chinese port cities and more waterfront redevelopment sites if they are financially prepared and have enough time. Future researchers could also conduct empirical studies by choosing study cities that are completely different or contrary to the situation of Qingdao. Hence, what this study lacks is contrast. Future studies could further extend the study focus beyond the contexts of Chinese port cities. It would be interesting to see how inland capital cities or other hub cities initiate great mega projects to facilitate urban redevelopment projects and propel the campaign to promote their cities' reputations. Consequently, the North American urban regime theory/machine theory could have a more profound application in Chinese cities under the Chinese contexts. And the impact and conflict of applying North American-style coalition building into the Chinese context must be fierce, just like the historical experiences of applying any western ideologies into the foreign contexts of different cultures. In other words, one of the limitations of this study is that the conflict caused by the collision between North American theoretical



ideas and the social background of China is not very sharp, and it fails to stir up waves of ideological collision.

All in all, capitalism all over the world is the same to some extent, but to another extent, they are totally different because of the different cultural backgrounds of different countries. I think future researchers should be more able to reflect the beauty of this difference by deliberately intensifying contradictions.

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